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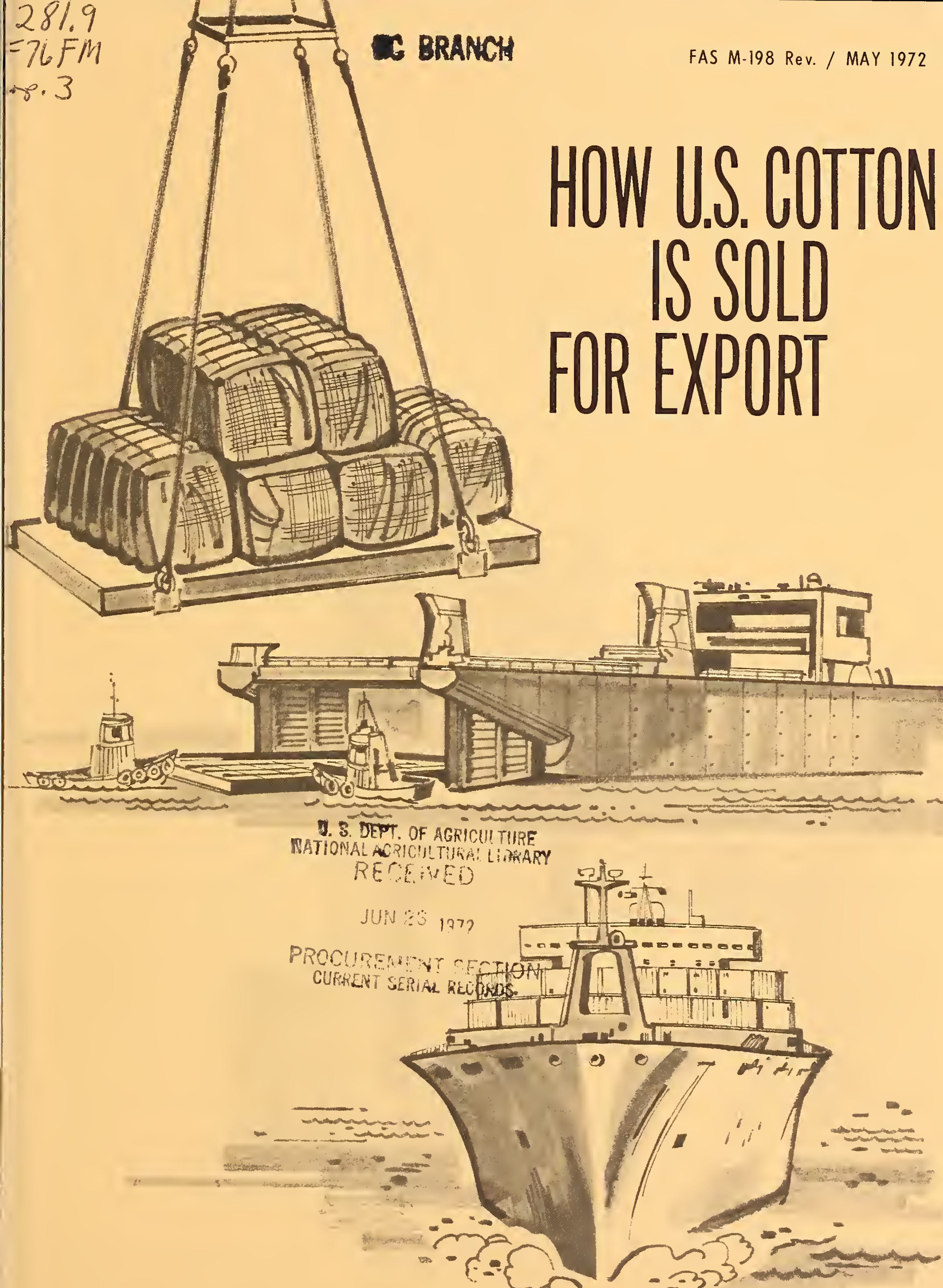
HOW U.S. COTTON IS SOLD FOR EXPORT



U.S. DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

Foreword

Since the end of World War II exports of U.S. cotton have fluctuated considerably. The largest volume in the postwar period—7,598,000 running bales—was shipped in 1956-57; the smallest—1,967,000— in 1947-48. In 1970-71, exports were 3,740,000 bales. Stiff competition from foreign cotton and manmade fibers has been a major factor in these fluctuations. In 1970-71 and 1971-72, smaller U.S. supplies in relation to demand have affected U.S. exports.

This publication is designed for those interested in U.S. cotton exports, and covers what is involved in selling U.S. cotton abroad. Since it was first issued in 1959 and last revised in 1968, a number of changes have occurred in the cotton marketing scene. This edition incorporates many of these changes and updates marketing practices. For example, the section "Workings of Foreign Cotton Arbitration Boards" has been updated as to fees, systems, etc. Detailed explanations about Public Law 480 regulations, CCC Credit Sales, Barter, and Export-Import Bank financing have been omitted from this edition because separate publications on these subjects are available on request from the U.S. Department of Agriculture.

A number of the basic practices and features that have characterized the U.S. cotton export marketing system for many years are still contained in this publication although some of them may be less applicable now than formerly because of changes that have taken place. These include, for example, less selling "on call", a decrease in the importance of brokers as a factor in the market, a reduction in the number of cotton exporting firms, and a diversification of some cotton merchant firms into activities other than cotton exporting.

This edition also includes information on the relatively recent innovation of the use of containers for the shipment of cotton abroad. Another recent change in shipping techniques is the loading of barges full of cotton onto steamers and releasing them at destination into canals, rivers, etc., for distribution to customers.

The author acknowledges with thanks the great assistance of cotton tradespeople here and abroad, and U.S. Government personnel.

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How U.S. Cotton Is Sold for Export

By Guy A. W. Schilling

Organization of the Raw Cotton Trade

The U.S. cotton trade comprises all the firms (including cooperatives) or individuals handling the buying, selling, and shipping of cotton from the time it is ginned until it reaches the mill door in the United States or abroad.

In this publication, "cotton" refers to raw cotton, while "spot cotton" refers to actual raw cotton in bales in certain locations. "Cotton futures" is defined as a contract for delivery or receipt of raw cotton during a certain future month; in most cases a cotton futures contract is offset by a purchase or sale of a cotton futures contract and no actual cotton moves in the transaction (see section entitled "Hedging").

The marketing of cotton begins almost as soon as lint (ginned) cotton is baled at the gins, although some farmers may retain possession of the bales until a later date. Frequently, the bales are bought at the gin by ginners, country buyers for merchants, mill buyers, and country merchants. If farmers who retain the bales do not put their cotton into the Government Loan, they may later give samples of cotton to a spot broker in a bigger market for selling on a commission basis. Ginners who buy the cotton at the gin may wait until they accumulate a certain number of bales before selling them to mill buyers, country buyers for merchants, and country merchants. Ginners may also give samples of their cotton to spot cotton brokers in cities for sale. Cotton in the hands of the country merchants is also sold to mill buyers and country buyers for merchants. Usually cotton bought by U.S. mill buyers is not resold further but is manufactured into textiles. If mills cannot consume the cotton purchased, they resell it to merchants, or export it in a few cases.

Spot cotton brokers offer for sale cotton belonging to farmers, ginners, mills, and cotton merchants. The latter use a spot cotton broker to sell lots of cotton that they wish to dispose of because they have no sale for it. The main business of spot cotton brokers is dealing with actual cotton, i.e., selling the cotton on actual samples of each bale, but they also do business for cotton merchants on a forward delivery and "guaranteed through" basis. This means that cotton merchants may offer cotton for sale for later delivery through spot cotton brokers, with the quality and weights guaranteed through to export destination. The main outlets of a spot cotton broker are mill buyers and city buyers for cotton merchants.

The cotton growers' cooperatives, which have increased their export business, and the cotton merchants do the bulk of the selling to U.S. mills and for export; they are the main subject of this publication. Of course, they do some selling among themselves at times when the cotton needed cannot be found at the gins or with the farmers.

The services performed at a warehouse, besides compressing and storing, include sampling, weighing, patching (repairing the cover of the bale and applying new cover material, patches, or markers), marking (stenciling identification mark), banding, and replacing or repairing bands. The warehouses issue negotiable warehouse receipts for the cotton stored; the owners of the cotton can use these as collateral against loans from banks or the government on the cotton. Also, title to the cotton represented by the receipt is frequently transferred from the original depositor to subsequent owners by the negotiator of the receipts. The warehouses attend also to loading of bales on railroad cars or trucks. Some of the merchants own warehouses where they usually store their own cotton, as well as that belonging to others. Most warehouses are bonded.

Studies have been made regarding the packaging of American cotton bales, and great efforts are being made to improve it.

Cotton is a relatively high valued commodity, and merchants handling large quantities require a great deal of bank financing. Usually, the capital of a cotton merchant represents only a small fraction of the value of his total turnover. The banks are usually willing to finance a fairly large percentage (slightly above 85 percent in some cases) of the value of a bale of cotton, but they keep a close check on the quality of the bales pledged as collateral. Payment for cotton sold to a U.S. mill is usually made by sight draft on the mill or by check against bills of lading and other documents. Cotton exported is usually paid for by sight draft against confirmed irrevocable letter of

credit, though other terms might be used (see the section entitled "Sales Terms"). Cotton traded between merchants in the same locality is paid for by check against warehouse receipts or bills of lading. Cotton sold by farmers, ginners, and country merchants is paid for by check or sight draft on the buyer against warehouse receipts or bills of lading evidencing shipment to a warehouse or a mill.

Practically all cotton merchants and cotton brokers are members of the American Cotton Shippers Association (ACSA), with headquarters in Memphis, Tenn. The various areas of the Cotton Belt have their own cotton associations as follows:

Georgia, Alabama, North and South Carolina, Virginia, Florida:
 Atlantic Cotton Association, Atlanta, Ga.

Mississippi, Louisiana, Tennessee:
 Southern Cotton Association, Memphis, Tenn.

Arkansas, Missouri:
 Arkansas-Missouri Cotton Trade Association, Little Rock, Ark.

Texas:
 The Texas Cotton Association, Waco, Tex.

Oklahoma:
 The Oklahoma State Cotton Exchange, Oklahoma City, Okla.

New Mexico, Arizona, California:
 Western Cotton Shippers Association, Los Angeles, Calif.

These six associations are in turn affiliated with ACSA, which has a great many associate members who are not members of the cotton trade, like bankers, steamship lines, freight brokers, insurance organizations, and warehouse companies. Some cotton people may only be members of their local association and not members of the ACSA.

Who Exports Cotton

U.S. cotton merchants do not all participate in the export trade. Some of them confine their business to selling cotton to U.S. mills, while a few do only an export business. After World War II, some cotton merchandising firms which had never exported went into the export business. The Agency for International Development (AID) and its predecessors, as well as Public Law 480 programs, were probably responsible for this because they facilitated the financing of cotton exports. The system of financing under these programs, using letters of commitment issued by the Commodity Credit Corporation (CCC) with banks, eliminated the risk to the exporter; finances became available at once, and the exporter did not need to wait for payment as he might have had to before such programs were begun and sales were made on a cash basis.

In this publication, all cotton merchants and cotton growers' cooperatives that export are referred to as "exporters."

Some of the principal spot cotton markets where such exporters are located are Atlanta, Ga.; Montgomery, Ala.; Memphis, Tenn.; Greenwood, Miss.; Houston, Dallas, Lubbock, Tex.; Phoenix, Ariz.; Greenville, S.C.; Augusta, Ga.; Little Rock, Ark.; and Fresno, Calif. Some exporters are also located in small cities throughout the Cotton Belt from the east coast to the west coast.

In the last few seasons, CCC stocks of cotton have been much reduced. However, for a number of years prior to that, the principal source of cotton supply was the CCC, which on August 1, 1966, owned stocks of as much as 12.3 million bales. Cotton in CCC stocks is sold to merchants, exporters, and American mills under various U.S. Government sales programs administered by the Agricultural Stabilization and Conservation Service's commodity office in New Orleans.

Not every cotton exporter tries to sell in all the available export markets for U.S. cotton or offers all the varieties and growths produced in this country. Some exporters concentrate only on certain areas or certain countries of the world; some, on certain U.S. growths. An exporting firm might sell only in a few of the 50-odd foreign countries using U.S. cotton. It is difficult and expensive to serve 50 or more foreign countries well.

Some of these countries are small markets, and the cost of servicing them is prohibitive. A number of American firms handle, besides U.S. cotton, other growths such as Mexican, Brazilian, Peruvian, Central American. Fewer U.S. firms handle foreign cotton than before.

The number of bales of U.S. cotton exported annually by cotton firms today varies from about 1,000 per firm to close to a million. The number of firms exporting over 100,000 bales is small. The greatest number of firms is in the group exporting 15,000 to 100,000. Before World War II, some firms exported well over a million bales. In the past 2 to 5 years some old firms have reduced or suspended cotton sales because of limited chances to make a profit in the face of stiff competition from foreign growths and synthetics.

Overall, the number of cotton firms has declined since the early 1950's.

Some exporters do business in export markets under trade names as well as their own. For a trade name an exporter usually engages agents different from the ones he uses for his own firm. The main

purpose of using trade names is to have wider outlets; an agent does not or cannot always sell to all clients in a country. Many small exporters, however, do not feel that trade names are necessary, and the practice is diminishing.

Another kind of exporter with a connection or connections abroad, who works with a very small staff if any, should be mentioned. He buys cotton from merchants or exporters on the same terms on which he sells it to foreign clients. He could be called either a buying or selling agent and makes only a commission on such sales. All the shipping documents are made out in his name by the seller. The quality, weight, tare, and so forth are "guaranteed through" to destination by the seller.

The buying agent pays the seller upon presentation of all the shipping documents and draws a draft, with these documents attached, on his foreign client against a letter of credit. The turnover done on this basis is very small compared with the exporters' direct business with foreign connections.

There are also some general import-export firms which handle all kinds of commodities and materials and which buy cotton for export on a "guaranteed through" basis, as outlined above, from merchants or exporters because they are not equipped to buy it first hand in the country from CCC stocks or in the spot markets as most cotton exporters do. Some of these transactions might at times be connected with barter transactions. Most of these firms are located in New York City.

Some countries, primarily those which have become independent only recently, with small cotton industries buy cotton through "tender notices" distributed by their Washington embassies or other representatives in the United States to the ACSA and direct to each of the exporting cotton growers' cooperatives. Others appoint American steamship agents or general import-export firms to buy the cotton. If the sales are under P.L. 480, these firms must be approved by the U.S. Department of Agriculture.

Establishing Connections Abroad

The cotton export business involves greater expenses than domestic business before a sale is made because the greater distances involved mean higher telegraph and telephone costs, greater transportation expenses for making personal contacts, and larger costs for forwarding samples and types. To make a sale abroad, an exporter must establish a connection with an agent or merchant (importer) or with a mill. In newer cotton-consuming countries it is difficult to find qualified cotton-selling agents; there, direct mill connections may be established. Normally, one trip or more abroad is made in order to establish satisfactory connections and learn about the usual terms of trade in a particular country, the quality requirements of the mills, and the like. The foreign connection must be supplied with type samples if some business is to be done on exporters' private types instead of universal standards. If the exporter has to submit types to match specific requirements of a mill, he needs considerable time for their preparation and approval. The exporter may also want to prepare types to represent certain cottons he specializes in. An agency agreement is usually signed between the exporter and his agent, foreign merchant, or foreign mill. This agreement covers matters such as the rate of commission, an understanding about the method of offering, the telegraph code or codes to be used, unless a TELEX is available, the duration of the contract, and the expenses to be borne by each party. These arrangements require a lot of time and work. Each exporter has his own ideas about the form of such an agreement, and there is no standard form of contract.

The large exporting firms used to have their own branches or affiliates in some countries, but the number of these is small because U.S. cotton exports are not as large as they once were. A few firms have central offices in charge of all agents in the countries of a certain area. In the export trade most of the business is done through foreign-based agents of the exporters, and only a small percentage is carried on through direct connections with foreign merchants or mills. Since World War II, some cotton-processing countries have bought their cotton requirements direct from the exporters through government agencies. A direct mill business is done in countries where the number of mills is limited or a new textile industry is to be developed or where old friendships are involved. To conduct a successful business abroad and keep the personal contact alive, regular trips are beneficial. Of course, foreign importers and mill representatives also visit the U.S. exporters.

The cotton export business involves a constant study of the prices of competing foreign growths like Mexican, Brazilian, Central American, Syrian, African, Greek, and others, as well as of the financial position of the foreign cotton-consuming countries. In recent years, U.S. programs for financing exports have been of great importance to U.S. cotton exporters, who watch closely the news from Washington about such programs.

Before World War II, markets like Mainland China, India, Indonesia, Japan, the Philippines, Australia, South Africa, the Balkan states, and the South American countries were worked by only a few U.S. exporters. Today, a great many more cotton exporters sell in these areas except to Mainland China as yet. Hong Kong expanded its industry only after the Communist takeover in China, when some Chinese mills moved to the Crown Colony. Korea and Taiwan imported cotton through Japan in prewar days while under Japanese control.

Since World War II, new or bigger markets have opened up for U.S. cotton in countries like Cambodia, Hong Kong, the Philippines, Thailand, Vietnam, Malaysia, and Ethiopia. On the other hand, a very large market has been lost for U.S. cotton in Mainland China since the Communists took over.

Methods of Offering Cotton

When the contacts and preliminaries have been completed, the exporter is ready to offer cotton to his agent, the foreign merchant, or the foreign mill, depending on the connection he has made in the foreign country. There are several kinds of offers: "firm," "regular," "good until cancelled," "special," and "good for a specified length of time." Instead of regular offers, some exporters send out quotation lists. Of course, quotations are not firm offers but merely indications of price. Exporters also make offers "subject to confirmation." This happens when certain qualities are scarce or an exporter has the same qualities under offer elsewhere. Today, actual business is done mostly as a result of special offers because of keen competition from foreign cotton-growing countries and from manmade fibers, and dollar shortages in some cases. Therefore, foreign importers tend to buy the cheapest cotton available. Some exporters' agents may reduce their selling commissions (usually between 1 and 1½ percent) in order to meet competition when their offers are very close to competitive offers.

The traditional system of offering cotton "on call" and making sales "on call" has almost disappeared. This is a practice where only premiums or discounts "on" or "off" a certain futures month for the various grades, staples, and micronaire are established, while the price of the basic futures month may remain unfixed until a certain time. (Since the futures month for Middling 15/16″ or 1-1/16″ is based on cotton delivered to a futures delivery point in the United States, the "ons" and "offs" must include the charges for ocean freight, selling commission, ocean and war-risk insurance, controller's fee and profit in order to reflect the c.i.f. or c. & f. price, if so sold.) The change is due to the fact that CCC sells its cotton at fixed prices, i.e., where basis ("ons" or "offs") and the price of the basic futures month have been established. Fixed prices are also called "final" prices. However, in order to describe the usual practices of the cotton trade, this publication also covers "on call" business because both export and domestic sales are occasionally still made on this basis. Even though most of the business is done today at fixed or final prices, the basis ("on" and "off" the futures month) remains important to the exporter or the cotton merchant because he watches very closely the changes in premiums and discounts ("ons" and "offs") for the various grades, staples, and micronaire over the basic quality, Middling 15/16″ or 1-1/16″, and still thinks in terms of premiums and discounts.

In addition to the price, all offers or quotations specify the quantity, the quality, the terms (delivery and mode of payment), the shipment, the arrival or the delivery periods, and the period for which the offers are valid.

When a sale is made "on call," it is necessary to watch for the specified fixation time or the expiration date of the futures month. This means that the price of the basic futures month must be established at a certain time, or, in trade parlance, the basic futures price must be "fixed" or "called." Upon agreement between seller and buyer, the basic futures month before the price is fixed can be transferred to another one at the proper differences (at a premium or discount depending on the level of the new futures month) between the original and the new basic futures month.

These differences, plus the futures commission paid for the transfer of the futures contracts, are reflected in the new basis ("ons" and "offs"). This might happen if the buyer for some reason wants to postpone the fixing of the price of the futures month, as for instance when a mill has no yarn or cloth sale against purchase of actual cotton. A mill would buy actual cotton ahead of a yarn or cloth sale, wishing to secure the basis (as premiums and discounts are called in the cotton trade) while it is low. On the other hand, if a mill considers the cotton futures month low, it would buy futures instead of actual cotton. The futures would then be sold when the mill buys spot (actual) cotton and it fixes the price of the futures month of its cotton purchase. This method of buying of cotton has become little used.

The seller (exporter) may give price-fixing instructions to the buyer for an "on call" sale; i.e., he may instruct the buyer to buy futures contracts through a certain futures broker when the price of the sale is to be fixed.

At times exporters allow a certain discretion (so many points[1] less) on their offers to their agents. This is a concession in order not to lose a sale. The discretion is used only when absolutely necessary to close a sale.

Today, actual business results mostly from special firm inquiries for which special firm offers have been made or from bids which have been received from abroad.

Formerly, regular offers or quotation lists were for cottons an exporter either owned already or felt he could buy in the market at a certain price. These offers show only the "ons" and "offs" for the various descriptions. It was usually the larger exporters who made regular offers. The exporter based these offers on a price which he hoped would bring him his standard rate of profit. Regular offers or quotation lists were usually "good until cancelled." These offers or quotations were more or less an indication of going prices but did not necessarily represent the lowest prices an exporter would accept. Therefore, very little business resulted from regular offers. With a large exporter these regular offers could include almost a complete list of all existing descriptions, which include grade, color, character, staple, micronaire fineness, and Pressley strength specifications, plus his entire list of private types. These regular offers also stated the monthly premiums (carrying charges) required for forward shipments up to 12 months or more. Thus, it happened that "new crop" cotton was offered for sale before the crop had begun to be harvested and sometimes before it was planted. In prewar days, sales of cotton were made even 2 to 3 years ahead.

Today, a large percentage of cotton export sales are made on private types, either prepared by the mills or by the exporters. Cotton sold equal to type is presumed to be equal to any bale (or in any flake type equal to any layer in the type). Equal to the average of the type must be equal proportionately to the average of all the bales in the type. Most types incorporate the grade, color, character, and staple required for the specific type of textiles being made. Exporters' types represent cotton they know certain mills require or certain kinds of cotton that cannot be described well in terms of Universal Standards for U.S. cotton. At times private types represent only "grade, color, and character" or "grade and color", and the staple is described in terms of Official Standards. In addition to these features, these types might also represent specific micronaire or Pressley specifications. When business is done on type, the type is sealed in the presence of both the buyer and the seller or their representatives and used for arbitration purposes. In a type the buyer presumably has before him all the characteristics of the cotton he wishes to buy. Since World War II, the U.S. cotton export business has gone more and more to private types. Low grades, particularly, are sold mostly on private types because it is often impossible to describe properly this kind of cotton in terms of Universal Standards.

With the smaller exporter, regular offers or quotation lists represent a limited range of descriptions or only the descriptions in which he specializes, plus his private types. Some exporters do not offer cotton grown beyond the territory of their office or offices but this practice varies. As the cotton season progresses, the number of descriptions included in these regular offers or quotation lists is reduced as current crop supplies decline. By that time it is necessary to send out "new crop" offers, meaning offers for forward shipments.

Offers contain the exact terms on which a sale is to be made. These terms vary with each country and with clients in the same country.

Regular offers, also called offer lists, are communicated abroad by airmail, telex, or cable, depending upon the urgency of the need for such offers. These regular offers are checked daily by the exporters, and changes are made daily if necessary. These changes may involve raising or reducing the basis (premiums and discounts) for the various qualities, transferring the basic futures month to another month because of the expiration of the basic futures month originally used in case of "on call" offers, changing the shipment or delivery periods, altering the number of bales offered, eliminating offers for certain qualities unobtainable, and so on. Regular offers are not often used today because of short supplies.

Special offers are more specific; i.e., they usually pertain to a specific client who requested an offer for a certain quality or qualities. Special offers also represent offers for cotton an exporter is anxious to sell. An exporter usually figures the price very closely when making a special offer; hence, the price may be lower than that of regular offers and may also be a fixed price; thus, the duration of such an offer is usually limited. Even the price of special offers may have to be changed if the market price of the qualities involved has gone up or down suddenly.

Special offers are made for "immediate" or "prompt" reply. Sufficient time must be allowed to send the cable, contact the buyer, and receive a reply; in most cases, this can be done within 24 hours, and it seldom takes more than a week. Sometimes the buyer states that he wants to have the special offers good for a specific length of time.

Some smaller firms that concentrate chiefly on domestic business confine their export business to offering only when they have specific export inquiries. In other words, they do not make regular offers.

[1]A point equals one-hundredth of a U.S. cent.

In pre-World War II days, exporters consigned cotton abroad in anticipation of a demand in a certain country for quick delivery of certain qualities or because some of them wanted to have stocks abroad to offer to foreign buyers to choose from (i.e., the buyer would take only the bales he approved) against sales with "selection clauses", as they are called. This practice has not been resumed because war-risk insurance on stocks abroad either cannot be obtained or is very expensive. Consignments can become a burden when they do not move fairly quickly; it can turn out that the cotton is consigned to the wrong place, and storage charges are usually higher abroad than in the United States. Moving consignments from one country to another is expensive and from one continent to the other, almost prohibitive. In some prior years one of the main reasons for consigning cotton abroad was the obligation of the exporters to export the cotton they bought from CCC under the export sales programs within a specified period of time. Hence, some exporters who had no actual export sales against a purchase of CCC cotton consigned it instead of keeping it in the United States and paying the difference between the export sale price and the domestic price, as required by the regulations of the special export programs at that time. Today, this reason no longer exists because there is no difference between the domestic mill price and export price. Furthermore, consignments are no longer financed under Public Law 480.

To save money in long cables, cotton codes were used at one time. A popular cotton code was "Buenting's," made up by a German cotton dealer in Bremen. Others used English cotton codes such as "Bentley's." Private codes, made up by individual firms, were also used.

Sales Terms

The basic terms of a sale contain the following main items: quantity, quality, price, hedging, futures, terms of delivery, destination, shipment or delivery period, insurance, payment, commission (not usually stated in sales confirmations), controllers, and various special clauses. In the following description of sales terms, small sections have also been included on price calculations, weight, arbitrations, and freight, all of which bear indirectly on the sales terms.

Quantity

Quantity is usually expressed in numbers of bales, with specified weight limitations to assure a minimum or maximum weight. Often, the quantity is expressed in pounds, kilograms, or metric tons.

Most of the time, the allocation of funds under the PL 480 program is made by the foreign government to the buyers in terms of monetary figures and not in terms of baleage or weight. In foreign countries that do not buy under programs financed by the U.S. Government, the availability of dollars is often instrumental in determining the quantity the importer buys, which is usually expressed in bales, metric tons, pounds, or kilograms.

The most common bale unit traded is 100 bales or multiples thereof although smaller lots are not infrequent, particularly when specialty cotton (usually extra-long staple) is involved. However, when the allocation of funds is in terms of monetary value, the quantity of a sale may involve an odd number of bales.

Quality

Quality descriptions usually include the origin—like:

1. *"Rain-grown Cotton:"* Any cotton of U.S. growth other than that produced in California, Nevada, Arizona, New Mexico (except Lea County), and the Pecos and El Paso Valleys of Texas.
2. *"Irrigated Cotton:"* Any cotton produced in California, Nevada, Arizona, New Mexico (except Lea County), and the Pecos and El Paso Valleys of Texas.
3. *"Orleans/Texas Cotton:"* Any cotton produced in one or more of the following States: Texas, Oklahoma, Missouri, Louisiana, Mississippi, Tennessee, Arkansas.
4. *"Memphis Cotton or Memphis Territory Cotton:"* Any cotton produced in one or more of the following States: Tennessee, Arkansas, Louisiana, Mississippi, Missouri.
5. *"Georgia/Alabama/Carolina or Eastern Growth:"* Any cotton produced in one or more of the following States: Georgia, Alabama, North Carolina, South Carolina, Florida.

In addition to the above, one of the following is usually added:

a. Description in terms of Universal Standards for grade and color and U.S. Official Standards for staple. (See appendix.)

   Example: Universal Standard Middling Spotted one-inch staple.

b. Description in terms of private (exporter's or buyer's) type.

Example: Grade, color, and staple equal to type BOND, or grade and color equal to LEBRA one-inch staple.

c. Description in terms of USDA Class Certificates.

Several certificates showing grade, staple, and micronaire for cotton are issued by the USDA as follows:

Form A is the classification of samples freshly drawn and submitted before shipment to a USDA classing office direct from a public warehouse at the request of the owner of the cotton or his agent. Such classification or comparison is evidenced by a Form A memorandum. Form A is frequently used to rewrite data given originally on Form I, or the "green card" which is given to producers who have their cotton classed under the Smith-Doxey Act. The original class must have been made within 12 months to be eligible for rewriting on Form A. A large proportion of the American cotton crop is sampled at the warehouse and thus is eligible for Form A.

Form B is issued if the official class is made on the basis of a cotton sample cut by a bonded sampler at a gin. The data are rewritten from Form I and the class must have been established within 12 months. Since another large proportion of the American crop is classed on the basis of samples taken at the gin, much of the crop can be and is rewritten on Form B.

Form M is used if the sample was obtained by means of a mechanical sampling device installed in some gins and also provides data rewritten from Form I based on a class established within 12 months. From 400,000 to 500,000 bales in each crop now are classed officially from mechanically drawn samples.

Form R classification memorandum has been established recently for the business convenience of buyers and sellers of cotton. Any classification now eligible for rewriting on a Forms A, B, or M memorandum is eligible for rewriting on Form R. The new Form R should eliminate some of the paperwork on cotton shipments by making it possible to use a single classification memorandum rather than the three separate forms now in use. It is expected that Form R will largely replace Forms A, B, and M in the future, and it is hoped that it will be readily accepted by the trade and used in contract specifications in place of the other forms.

Form D is a certificate used if a sample is merely brought or sent to an official classing office for an informative classing without regard to how and where the sample was taken.

For almost 25 years, some of the quality descriptions of U.S. cotton sales have included more and more Micronaire and Pressley specifications in regard to fineness and strength, respectively. Micronaire and Pressley are specified after the grade, color, and staple (or type) descriptions, as shown in the next paragraphs. These mean that the cotton must test accordingly, but within certain tolerances which are stated in the sale contract. For these additional specifications, the exporters may demand varying amounts of premium.

Below are some clauses that the exporters stipulate in their sale contracts. They vary with exporters.

Micronaire Terms

Min. micronaire 3.5.

Min. micronaire 4.0, control limit.

Min. micronaire 4.0 no control limit.

Min. micronaire 3.8, no tolerance, 100% certificate.

Min. micronaire 3.5, avg. 4.0 or higher.

Min. micronaire 5.1 avg. 5.2 through 5.3.

Micronaire range 3.6 through 4.6.

Micronaire range 3.6 through 4.5, no control limit.

Micronaire range 3.8 through 4.8, no tolerance 100% certificate.

Micronaire range 4.0 through 5.0, avg. 4.6.

Micronaire range 3.8 through 4.2, without tolerance.

Micronaire range 3.0 through 3.4, avg. 3.2 or higher.

Micronaire range 3.5 through 4.7 avg. 3.9 through 4.1.

Pressley Terms

Pressley fiber strength not below 78,000 pounds per square inch, no tolerance, 10 percent certificate.

Seller's certificate for Pressley 78,000 pounds per square inch on 10 percent of the shipment, without tolerance.

Pressley fiber strength not below 82,000 pounds per square inch.

Pressley fiber strength not below 80,000 pounds per square inch, 10 percent certificate.

No other statement about micronaire differences is necessary because that is covered automatically by reference to the trade rules (Liverpool, Bremen, Osaka, etc.) which govern the contract. While it is, of course, conceivable to make a contract which allows the delivery of cotton with varying laboratory specifications, at some agreed price differential, this would not generally be done because nobody would know what the commitment really is. What premium or

discount to charge or to allow for various specifications at time of sale naturally depends on many things, such as the actual or prospective availability of the particular specification with the particular grade and staple and growth, the merchant's stock position.

Sales in a Foreign Currency

In pre-World War II days many sales were made in terms of foreign currencies; even until a few years ago some sales, particularly to Liverpool, were made in pence per pound and also "on call" based on Liverpool futures.

Making sales in currencies other than dollars necessitates selling the foreign exchange. This involves a foreign exchange contract for the amount of foreign currency to secure the dollar equivalent, for delivery when the foreign currency is due to be paid. Failure to "hedge" the foreign exchange can be as disastrous as failing to hedge the futures month in the price of cotton; the foreign currency may be devalued as was the pound sterling in November 1967.

Hedging

Hedging of sales and purchases of cotton can be called price insurance although it is not a complete protection because there are two components in the final (fixed) price of cotton. These components are (1) the futures month and (2) the basis (premiums and discounts) for the various qualities at a given location for actual (also called "spot") cotton. A hedge insures only against price fluctuations of the futures month on which the basis of the cotton is based. Futures are sold against a purchase of actual cotton, and futures are bought against a sale. There is no proper hedge against the basis (premiums and discounts) for a purchase or sale of actual (spot) cotton, except perhaps to keep an even "basis position," i.e., a position where purchases and sales of actual (spot) cotton bought and sold "on call" and at "fixed price" balance irrespective of quality. An even "basis position" does, however, minimize the risk.

Futures

The futures month on which the merchant bases the price of an "on call" purchase or sale of actual (spot) cotton for near delivery is normally a near month. There are exceptions, of course, when the near month is considered too low or too high and depending on whether futures are bought or sold. The proper placing of hedges, buying or selling cotton futures, is an intricate matter which requires close study.

The only active cotton futures market in the United States is operated by the New York Cotton Exchange. Futures trading on this exchange goes back over a century to days when cotton moved by slow sailing vessels across the Atlantic Ocean to Liverpool. Values could change disastrously for owners of cargoes in transit. The coming of the Atlantic cable provided market news and news of crop developments accentuating the inherent risks in such cargoes. An offset to these risks is provided to merchants and others through the futures operation whereby transactions in actual cotton can be hedged by the purchase or sale of futures contracts.

New Orleans and Chicago have suspended trading in cotton futures until conditions warrant reopening the trading in these futures. These two inactive organizations have kept their offices open to answer questions, give out cotton information, and answer mail.

Abroad, there are Sterling cotton futures markets in London and Liverpool, but the volume is not large. The Karachi futures market continues to function, though on a limited scale. It serves as a form of hedge in the local market and is a good reflection of the price trend of Pakistan cotton. The Bombay futures market is closed.

Osaka (Sampin exchange), Bremen, and São Paulo (Bolsa) are still open but are not very active at times. Alexandria's (Egypt) futures trading was discontinued in August 1966. Le Havre's cotton futures trading was suspended during World War II. Bremen bases its futures on Bremen spot prices since January 1, 1972.

Incidentally, the New York Cotton Exchange trades also in futures for "frozen and concentrated orange juice", "wool grease", "tomato paste" and "propane gas". The "propane gas" contract is still in process of being developed. At times the "orange juice" contract has been more active than cotton.

The New York Cotton Exchange provides trading in two cotton futures contracts: Number 1, basis Middling 15/16 inch, and Number 2, basis Middling 1-1/16 inch. The volume of trading in Contract Number 2 increased substantially in 1970-71, while Contract Number 1 remained rather quiet. In addition to the information given herein on futures trading and the two contracts, future information can be obtained on rules, definitions, types of orders, etc., from the New York Cotton Exchange, New York 10005.

Some of the essential features common to both of the two contracts are outlined below.

Trading Unit.—A contract for cotton is a unit of 50,000 pounds (approximately 100 bales) with an allowance of 1 percent more or less.

Price quotations and minimum fluctuations.—Prices are quoted in cents and hundredths of a cent per pound, such as 0.2655 or 26 cents and

55/100 cents. The minimum fluctuation is 1/100 cent, equivalent to $5.00 per contract.

Daily limits on price movement.—No limit is imposed on and after the first notice day of the current delivery month. In other months, prices may move no more than 2 cents above or below the lowest price in the closing range of the previous market session. During any session, trades may not be made at prices more than 2 cents per pound above the lowest price for that session, or more than 2 cents per pound below the highest price.

Item	Contract No. 1	Contract No. 2
Delivery months	January, April, June, August, November.	March, May, July, October, December.
Contract grade and staple for delivery	Middling 15/16 inch.	Middling 1-1/16 inch.
Staples deliverable	a. 29/32 inch and longer. b. 29/32 inch cotton will be deliverable at full discount. c. 31/32 inch cotton will be deliverable at 100 percent of the quoted difference between 31/32 inch and 15/16 inch cotton. d. 1 inch cotton will be deliverable at 75 percent of the quoted differences between inch and 15/16 inch cotton. e. 1-1/32 inch and longer; cotton will be deliverable at the tender price for 1 inch cotton.	a. 1-1/32 inch and longer. b. 1-1/32 inch cotton will be discounted 125 percent of the quoted difference between 1-1/32 inch and 1-1/16 inch cotton. c. 1-3/32 inch cotton will qualify for full premium. d. 1-1/8 inch and longer cotton will be deliverable at the same premium as 1-3/32 inch cotton.
Weight allowances	a. The deliverer shall make a weight allowance at the average invoice price of one-half pound per bale per month beyond the month of weighing. b. Cotton remaining under certification for: (1) a period exceeding 12 months shall carry a penalty of three pounds per bale per month, (2) a period exceeding 18 months shall carry a penalty for four pounds per bale per month, and (3) a period exceeding 24 months shall carry a penalty of five pounds per bale per month. (The first month to be counted, in computing this allowance, shall be the 13th, 19th, and 25th month, respectively, following the month in which the cotton was certificated.)	a. The deliverer shall make a weight allowance at the average invoice price of one-half pound per bale per month beyond the month of weighing. b. Cotton remaining under certification for a period exceeding six months shall carry a penalty as follows: (1) 3 lbs. per bale per month for the 7th through 12th month; (2) 4 lbs. per bale per month for the 13th through 18th month; (3) 5 lbs. per bale per month for the 19th through 24th month; and (4) 6 lbs. per bale per month for the 25th month and each month thereafter.
Premiums and discounts	The average grade and staple premiums and discounts for tenderable qualities quoted for Montgomery, Ala., Memphis, Tenn., Dallas, Houston, and Lubbock, Tex., will be used in determining settlement prices.	The average grade and staple premiums and discounts for tenderable qualities quoted for Greenville, S.C., Greenwood, Miss., Memphis, Tenn., Dallas, Tex., and Phoenix, Ariz., will be used in determining settlement prices.
Delivery points	Mobile, Ala., Charleston, S.C., New Orleans, La., Galveston, Tex., Houston, Tex.	Galveston, Tex., Houston, Tex., New Orleans, La., Memphis, Tenn., Greenville, S.C.
Freight bills	Not acceptable.	Not acceptable except at Memphis on refund value to Group B.

Commissions for futures trading.—The minimum commission rates for the purchase, and sale, of a contract is $45.00 for non-members; $22.50 for members. Special straddle and day trade rates are available.

Margins on trades.—Minimums are set by the Cotton Exchange; current information should be obtained through brokerage firms.

Grades deliverable:

(a) Low Middling through Good Middling in white grades.

(b) Middling Light Spot through Good Middling Light Spot in Light Spotted category.

(c) No Spotted cotton tenderable.

Micronaire.—Cotton must micronaire not less than 3.5 nor more than 4.9 to be tenderable.

Classification and review:

(a) Original certificated class by the U.S. Board of Cotton Examiners at the point of storage.

(b) Review and Micronaire determination by the Appeal Board of Review Examiners at Memphis, Tennessee.

Price

Price is usually expressed in U.S. cents per pound and is either fixed (final) or "on call." A fixed price is a price where both the basis (premiums and discounts "on" or "off" the futures month) for a certain quality and the price of the futures month are established. For example:

December N.Y. futures . .	32.50 cents per pound
Basis for a certain quality .	5.00 cents "on"
Fixed price (final price) . .	37.50 cents per pound

An "on call" price is a price establishing only the basis (premiums or discounts to be deducted from or added to the futures month, as in example above, "500 cent points on December N.Y.") for a certain grade and staple.

When a sale is made "on call," the contract (sale confirmation) specifies when the price of the futures month must be established. The sale is mostly "buyers's call," which means that the buyer sets a time or level when the price of the futures month is to be established or, as said in the trade, fixed. However, the contract frequently provides for fixing the price before shipment to avoid making provisional invoices and a price adjustment later. Invoicing cotton at a provisional price makes it necessary to watch the fluctuations of the futures month and call for margin payments if the provisional price has been set too low because the futures month has gone up. The buyer can request the seller to transfer the basic futures month to another one instead of fixing the price when due.

All U.S. cotton is exported high-density compressed to save space on the steamer; the exporter thus obtains a lower freight rate. When an exporter has put his high-density compressed cotton shipside, he has to add certain charges depending on the terms of the sale. These may include freight, insurance (ocean and war-risk), sale commissions, bank charges involved in payment, and foreign controlling. Exceptions to this are that no freight charges are included when the sale is on a c. & i., an f.o.b., or an f.a.s. basis; and no insurance charges are included when the sale is on a c. & f., f.o.b., or f.a.s. basis.

If the sale is made on certified shipping weights, Form A certificate class, or with special marks or if additional samples are required or there are any foreign consular fees on the shipping documents, charges must be added for these and for other special requirements.

Terms of Delivery

The delivery terms cover the basis on which the cotton is to be delivered to the foreign buyer or importer. The commonly used terms for cotton are:

1. f.o.b. (free on board) steamer in the United States;
2. f.a.s. (free alongside steamer) in the U.S.;
3. c.i.f. (cost, insurance, freight) a foreign port;
4. c. & i. (cost and insurance) a foreign port;
5. c. & f. (cost and freight) a foreign port;
6. ex-warehouse abroad (applicable to cotton already abroad);
7. f.o.w. (free on wagon) in a foreign country; and
8. f.o.b. (free on board) in a foreign country.

On c.i.f. or c. & i. sales, buyers usually request the exporters to insure the cotton for about 110 percent value to take care of price fluctuations in case the cotton has to be replaced by the buyer.

Cotton exporters usually make a contract with an insurance company to cover their stocks and shipment of cotton. Once a week they usually report to the insurance company the receipts of cotton at the various locations and the shipments to the various destinations. On c.i.f. and c. & i. sales, they issue insurance certificates themselves on forms furnished to them by the insurance company. A few exporters have their own insurance companies, which also do a general insurance business.

Weights

In addition to the above terms, the method of settling the weights is added, i.e., "actual tare, mutual net landed weights, no franchise" or "certified shipping weights," etc. In the case of mutual net landed weights, the weight and the excess tare are established at port of destination by the exporter's and importer's representatives. The exporter appoints

a cotton controller to represent him at port of destination at weighing, taring, sampling (also for arbitration purposes if needed), and examining for country damage to cotton, if any. With U.S. certified shipping weights, which are established at port of shipment by U.S. sworn weighers and are final, no claims can be made. Shipments under PL 480 programs are all made on U.S. certified shipping weights by sworn weighers.

"No franchise" means that no variation in weight is allowed. If the contract does not include the "no franchise" term, a variation in weight may be allowed. In such case, it is expressed in a percentage figure, i.e., 1/2 percent, 1 percent, etc. This means that the weight can vary one way or the other up to a certain percentage without weight claims. The franchise, if any, must be considered by the exporters in their price calculations.

The expression "franchise" is also used in connection with the additional weight, which is added to the actual weight (before shipment) in order to create a loss in weight at destination because some countries have difficulty in remitting to the United States for gains in weight because of a shortage of foreign exchange. (Today this is less applicable because P.L. 480 countries must buy on "certified shipping weight," and no adjustments are necessary.)

In cotton sale-price calculations the question of gains and losses in weight must be considered. Generally, these considerations are based on climatic conditions existing in the country of destination at time of arrival and in the United States at time of shipment. Failure to include an allowance for probable losses in weight in the sale-price calculation can be costly to the exporter. On the other hand, gains in weight at destination are also considered.

Change from gross to net weight.—For a long time the traditional system of trading from the standpoint of weight has been on a gross weight basis for domestic sales or trading within the United States, and on a net weight basis for export sales. This meant, of course, that a U.S. exporter purchased cotton in the United States on a gross weight basis. Then it was necessary for him to convert (calculate) the value of the cotton to a net weight basis in arriving at the price for export. A standard allowance of 4.2 percent (which is about 21 pounds on a 500-pound gross weight bale) was made for the weight of bagging and ties. For example, a price on a gross weight basis of 27.50 cents per pound would convert to a net weight price of 28.65 cents per pound, (27.50 times 104.2 equals 28.65.). The resulting price is usually rounded up to the nearest zero, or in some cases, to the nearest five.

However, the system of domestic trading has now been changed from a gross to a net weight basis and such conversions are no longer necessary. On March 27, 1970, the U.S. Department of Agriculture announced that, as of August 1, 1971, CCC loans for 1971 crop cotton would be made on a net weight basis. The rules of the New York Cotton Exchange and the Southern Mill rules followed suit. After discussions and approval by the U.S. cotton trade, plans for converting spot cotton quotations to a net weight basis were made. Since August 1971, the Daily Spot Cotton Quotations at various locations in the United States are reported on a net weight basis.

Weight change and packaging.—The change from gross to net weight trading domestically should have a favorable influence on the packaging of U.S. cotton bales. Changes in bale packaging could in turn affect the systems of transportation, warehousing, and other marketing operations. Net weight trading offers domestic suppliers in the United States an incentive, for the first time, to improve the quality of packaging by using lighter weight, stronger, and more protective types of packaging material, and to lower the cost of packaging and the baling operation.

Various kinds of plastic materials have been experimented with as substitutes for the traditional jute bagging, but in general these have not been found entirely satisfactory because pieces of polypropylene can get mixed with the cotton fibers in the opening machinery of the spinning mills. They can cause much more trouble than can jute.

It should be recognized that the quality and condition of the U.S. cotton bale package are affected not only by the type of packaging material used, but also by the practice of cutting the bale covering on two sides usually at each step in the marketing chain. As a result, the bale has usually been cut or sampled several times by the time it reaches the foreign market. It could be that an alternative system would raise other problems, but solutions are being vigorously sought by industry and government.

Considerable work is also being done to standardize bale sizes.

After ginning, the cotton is compressed into flat bales of 12 pounds per cubic foot; the bales are usually shipped to a public interior warehouse for storing or for compressing in transit to standard density (23 lb. per cu. ft.) if the cotton is destined for a domestic mill or to high-density (33 lb. per cu. ft.) if it is to be exported. Cotton that is to be delivered to a mill near a gin may be shipped as flat bales. Domestic mills require either flat or standard-density bales. When a warehouse receives cotton for storage, the flat bales are sometimes compressed immediately to standard or high density in order to save storage space. All warehouses at ports have both standard-density and high-density presses; some in the interior have only standard-density presses; while some have both. Merchants at times move cotton from several warehouses to one central one in order to concentrate their stocks and facilitate shipments of carloads to obtain lower railroad rates.

Bale dimensions vary widely at present. American spinning mills prefer large, low density bales which are easy to open. On the other hand, transport costs are such that bales for export must be smaller (high-density) and therefore highly compressed. This has involved a second baling process because the traditional type (flat bales) of baling press used at gins is not capable of producing a high-density bale. New presses are now being installed in some gins which are designed to produce a standard high--density bale in one operation, but these new presses are expensive and the rate of installation will be comparatively slow.

A test program is under way which will permit regular flat bale presses and compresses to convert to 24-in. width and turn out a 27-30 lb. density bale without the side pressure normally applied to regular compress high-density bales for export. Tests to date indicate that American mills will accept this bale as well as the gin universal bale. This will facilitate acceptance by gins where volume does not justify the installation of new presses.

Considerable cost savings could be achieved by establishing a universal bale of standard size and density. There is a wide measure of agreement in principle and the only point of difference among all the many interests involved is what that standard size should be.

The new gin presses are at present producing two main types—the standard bale and the universal bale, both of 500 lb., both 55 in. long and 21 in. wide, but the gin standard is 31 in. thick and has a volume of 20.7 cu. ft. and a density of 24.2 lb. per cu. ft., whereas the gin universal is 26 in. thick, 17.4 cu. ft. in volume and 28.7 lb. per cu. ft. in density. It appears the gin universal bale will be the answer because of freight and storage factors and the flexibility related to acceptance by both American and European mills.

Destination and Shipment or Delivery Period

The destination is usually a seaport in the foreign country. However, in the Netherlands, where Rotterdam is the usual port of destination, sales are also made c.i.f. Enschede, which is a mill center and a port in the interior of the country.

Sales are made for a specific shipment period from a port in the United States or for a specific delivery or arrival period in the country of destination.

The shipment period can be immediate (shipment within 7 calendar days), prompt (shipment within 14 days), by a specified steamer, or during a certain month or months. In sales for shipment period, the cotton must be delivered to a steamship company during the period stated, but the steamer need not necessarily sail during that period. If a specific sailing is required, it is so stated in the contract. The term "afloat" means the cotton is on board the ship which has already sailed.

Exporters obtain either an on-board bill of lading or a port or custody bill of lading. Custody bills of lading may require a certain on-board endorsement when the cotton is aboard ship.

In sales for a delivery period in a foreign country, the cotton must be delivered on a certain date or during a certain period in a foreign country. Delivery sales, which require correct calculation of the time that it takes a steamer to reach its destination, are not as common as shipment sales. "Arrival" means the period during which the steamer must arrive at its destination.

Freight

The exporter must keep well posted on the freight situation for shipments to the various countries to which he sells. In all large cotton markets, the various steamship companies have offices or there are freight brokers who supply the exporters with up-to-date information on freight rates and on available steamers for the various destinations.

If an exporter anticipates making a sale for a certain shipping or delivery period, he obtains an option for ocean freight. When he makes the sale, he books the freight firm. It is then necessary for him to deliver the cotton to the steamship company at the port of departure during the period for which the freight is booked. If he fails to ship, he could be penalized; however, steamship companies, for the sake of keeping good relations with the trade, usually do not penalize an exporter except perhaps during a tight freight situation.

Most cotton exporters sign an agreement with the conference lines in the various areas of the United States, i.e., the Gulf, east coast, and west coast conferences. The Gulf and east coast conferences usually sign a joint agreement with the exporters. These agreements usually are good for the cotton season and guarantee a certain freight rate for the 12-month period. On the other hand, the exporters obligate themselves not to ship on nonconference steamers for the duration of the agreement unless conference steamers are not available at shipping time. Some exporters, however, for various reasons, do not sign the agreements with the conferences.

Some U.S. cotton exporters joined together in mid-1970 to establish the American Cotton Exporters Association, under the Webb Pomerene Export Trade Act, with the primary aim of facilitating cooperation

during various stages in shipping raw cotton and cotton products. A central ocean freight booking office was established in Dallas to charter vessels between the United States and foreign countries and to negotiate rates with shipping conferences and individual steamship companies. Another purpose was to promote one-port loading and unloading of volume cotton shipments wherever possible. To increase shipping efficiency, association members planned to arrange their cargoes to fit the individual requirements of the carriers whether for bulk, barges, containers, or another method.

In a few years containers might be used for cotton shipments to many parts of the world if the initial success continues. They are already in service in many parts of the world for commodities other than cotton.

The straight container vessels carry up to 2,000 containers each in 20-foot and 40-foot sizes. Another kind is "Roll on roll off" or "Ro Ko". These are all-purpose ships carrying 20-foot and 40-foot containers on deck: automobiles in the twin decks and containers on wheels. In the bottom holds they carry large tractors, large glass cases, large lengths of iron and steel, etc. The stern of the ship opens up and cars, tractors, etc., can be rolled into the lower holds.

Another important innovation is containerized shipping of cotton via LASH (lighter loaded aboard ship). These are mini barges, and cotton is not in containers but the barges are covered and act as containers. The barges can operate independently up and down harbors and rivers pushed by tugboats and are especially suitable for bulk shipments, like cotton. These barges can reach the mills on or near canals in Europe.

With containers, there is definitely a decrease in damage and pilferage. Insurance rates are based on periods of past experience. A downward adjustment of rates for containerized cargo would normally be expected.

With a view to obtaining a lower insurance rate, shippers will likely prevail upon the underwriters to differentiate between the carriage of container cargo which is handled only twice (at origin and at destination) and conventionally shipped cargo which must be handled 10 or 12 times. A differentiation should be made in insurance rates for container ships and those for conventional vessels which have been converted into container carriers. Container ships, even when fully loaded, have a very high freeboard which virtually prevents seas washing overdeck. This is not the case with conventional vessels which have practically no freeboard at all. On pure container ships the question of ondeck or underdeck storage is merely one of operational techniques.

Several steamship companies are now building ships especially for the use of containers.

So far some LASH shipments with cotton have gone from points on the Mississippi River to Europe via the Gulf. Large cotton container shipments have moved from Arizona and California to Japan and Europe. They may also go to Korea. There has not been a large quantity of cotton shipped by containers from the Gulf as yet.

Insurance

On c.i.f. or c. & i. sales, the seller covers the marine war-risk and country damage while the cotton is in transit to destination. The seller issues an insurance certificate for this coverage, which is one of the shipping documents of a c.i.f. or c. & i. sale. On c. & f. sales, the buyer covers all the risks. On f.o.b. or f.a.s. steamer sales, the seller's risk ends when he delivers the cotton to a steamship company.

Reimbursement

The most common mode of payment is a letter of credit, preferably a confirmed irrevocable one, opened by the buyers; against this, the seller draws a draft with original documents attached. The documents usually include invoice, bill of lading, insurance certificate, weight sheets, original Form A certificate for quality (if this is used), and micronaire and Pressley certificate. P. L. 480 regulations, if the cotton is financed under such programs, require some additional papers attached to the draft.

The buyer may also pay for the cotton by cable transfer on receipt of a cable from the seller telling him the invoice amount. The documents are then sent by the seller to the buyer by registered airmail or through a bank.

Other forms of payment are cash upon arrival of steamer at port of destination; letter of credit with drafts to be drawn at 30 days, 60 days, etc., sight on a prime U.S. bank; cash on delivery ex-warehouse (mostly from consignment stocks abroad); and cash upon presentation of documents at destination. "Cash" usually means cable transfer. Time drafts are little used now by the exporter, and he receives the money at once.

Commission

The rate of commission paid by the seller to his agent averages approximately 1 percent for upland cotton or is expressed in U.S. cents per bale. This rate is not stated in the sale contract but is included in the agency agreement between shipper and agent because the contract is usually between the exporter and the importer or mill. Extra-long staple cotton bears a commission higher than 1 percent because sales of

such cotton are not as numerous and large as those of upland cotton.

Agents usually, though not always, have offices at a port, where mills are seldom located; therefore, they often employ subagents in the various interior mill districts. The agent pays a part of his commission to the subagent, or the exporter figures it separately. Of course, if an agent can deal by telephone directly with a mill in the interior or visit the mill himself, he need not have a subagent to contact the mill.

Claims

Claims generally involve weight losses or gains and quality allowances. These, unlike fire, theft, loss, and certain damage to the bales while in transit, cannot be covered by insurance. Penalties for late shipments and other forms of noncompliance with contract terms can also be included in the category of claims. Payment for claims are made separately by exporters to the importers, except for gains in weight which naturally must be paid by importers to exporters. Differences in weight are unavoidable because of different climatic conditions in various parts of the world. Quality claims arise mostly from differences in opinion though at times they are attributable to selection of cotton for shipment against a specific quality.

The exporter specifies in the sales contract or the invoice the controller he wishes to represent him at port of destination. The controller's responsibility is to be present at weighing, taring, and sampling of the cotton upon arrival. The charges for these services are paid by the exporter, who includes these controlling fees in his sales price.

Foreign Exchange

Most nonconcessional sales of U.S. cotton and all concessional sales (P. L. 480) are made in U.S. cents per pound, but at times before World War II sales were made in a foreign currency like English pence, French francs, Swiss francs, etc. This involves a risk when the foreign exchange rates fluctuate. In order to insure himself against this risk, the shipper sells the foreign exchange for delivery during the period when the draft is negotiated. This is done at the time the sale is made and represents a hedge against fluctuations in the exchange rate.

For many years after World War II, the number of cotton sales for hard foreign currency were very small, but it is now increasing.

In sales for local currency under Title I P. L. 480, the U.S. Government receives local currency but the U.S. exporter receives U.S. dollars from the CCC.

Other Terms

Various clauses covering features of the sale are inserted in the sale contract. Following are some examples of these clauses:

"Lighterage if any, at port of discharge for account of buyer."

"Sellers are not responsible for delays or losses caused by government regulations, strikes, lockouts, fires, riots, civil commotions, shortage of labor, or other causes beyond their control."

"In case of impossibility of fulfilling the sale contract on account of any reason of force majeure, this contract shall be regulated by mutual settlement of the resulting difference."

"This contract is subject to the Special (i.e., Fair Practice) rules of the American Cotton Shippers Association."

"This contract based on ocean freight $. . . . per 100 pounds; any change is for buyer's account."

A clause to cover carrying charges in case of delayed shipments is often included. All contract clauses vary among exporters and depend on the country of destination.

The specimen sale confirmation that follows is based on the terms discussed above. The form of these confirmations varies with different shippers, but the specimen is generally representative of what a sale confirmation usually contains.

Foreign Cotton Quality Arbitration Boards

In case of a dispute between buyer and seller with regard to quality of the cotton shipped under the contract, or with regard to misunderstandings of contract terms or noncompliance with them, the dispute may be settled through arbitration.

The author has surveyed the methods used by most of the 10 arbitration boards: in Liverpool in September 1961; in Le Havre, Bremen, Milan, and again Liverpool in September 1962; in Bombay and Osaka in October 1962; and Gdynia in September 1963. The other arbitration boards—in Barcelona, Rotterdam, and Ghent—were not visited, but their systems are similar to the other European boards.

The American Cotton Shippers Association (ACSA) has a representative on quality appeals stationed in Le Havre. He handles appeals in Le Havre, Milan, Bremen, Ghent, Rotterdam, and Barcelona, and periodically he goes to Liverpool. The ACSA also

SPECIMEN
SALES CONFIRMATION
D.E. & CO.

Sale No. ____________________ Date _______________

Messrs. A. B. & Co.
Bremen, Germany

Dear Sirs:

We confirm having sold to you today the following raw cotton:

Through:	F. G. & Co. (Agents)
No. of Bales:	1,000 bales
Quality:	U.S. Middling one-inch staple, Orleans/Texas, Micronaire minimum 3.8
Price:	35.50¢ per lb.
Terms:	CIF Bremen, actual tare, mutual landed net weights, no franchise, Bremen arbitration
Destination:	Bremen
Shipment:	250 b/c monthly April 1958 through July 1958
Insurance to be covered by:	Sellers
Reimbursement:	Sight draft against confirmed irrevocable letter of credit on Prime United States bank
Controllers:	X. Y. & Co., Bremen
Remarks:	This contract is subject to the rules of the Bremen Cotton Exchange

Sellers are not responsible for delays or losses caused by government regulations, strikes, lockouts, fires, riots, civil commotions, shortage of labor or other causes beyond their control.

This contract is based on ocean freight of $ _____ per 100 pounds; any change is for buyer's account.

Accepted: ________________ D. E. & Co.

By ________________________________

has a representative in Osaka for appeals on shipments of U.S. cotton to Japan, Taiwan, Korea, the Philippines, and other Far Eastern countries.

The largest volume of arbitration is carried on in Liverpool, Le Havre, Bremen, Bombay, and Osaka. Countries like Korea, Taiwan, Indonesia, South Vietnam, Malaysia, Thailand, Hong Kong, Singapore, and the Philippines use mainly Osaka arbitration. Switzerland and Austria use Bremen, Liverpool, Le Havre, Ghent, or Milan. Today, the arbitration boards used most for PL 480 cotton shipments are Osaka, Liverpool, and Bombay, in that order.

Arbitrators are not salaried in Liverpool, Le Havre, Milan, and Gdynia. Bremen, Osaka, and Bombay have full-time salaried arbitrators. Appeal board members are not salaried in Liverpool, Bremen, Milan, and Gdynia. Full-time salaried appeal board members are employed in Le Havre and Bombay.

In all markets, the arbitrators or the appeal board members have the Universal Standards for grade and the U.S. Official Standards for staple and/or the private types on hand for reference.

The contract will usually state the location or import market arbitration to be used. As an illustration, the terms of the contract may include wording such a "c.i.f. Bombay, actual tare, mutual net landed weights, no franchise; Liverpool arbitration."

In many instances an "amicable settlement" is used. This means that both parties, buyers and sellers, appoint arbitrators from among cotton people in the foreign country. An amicable settlement is also made where buyer and seller mutually agree to an allowance without any kind of arbitrators.

Arbitrations and appeals are "blind" or "sealed," which means that the arbitrators and appeal board members know only the description of the quality, the growth, the last landing day of the steamer, and the terms—c.i.f., c. & f., f.o.b., f.a.s., etc. The price of cotton is not divulged, and arbitrators do not know the names of the parties involved, except in Liverpool and Milan when the arbitrators have been appointed by buyer and seller in these two markets. However, if so desired, the Liverpool Cotton Association will appoint the arbitrators, and the arbitrations can also be blind in that city.

The names of the foreign arbitration boards for U.S. and other cottons are as follows:

- Liverpool Cotton Association, Ltd., Liverpool, England.
- Association Francaise Cotonniere, Le Havre, France.
- Bremer Baumwollboerse, Bremen, West Germany.
- Centro Algodonero Nacional, Barcelona, Spain.
- Associazione Cotoniera Italiana, Milan, Italy.
- De Vereeniging voor den Katoenhandel, Rotterdam, Netherlands.
- Marche de Coton de Gand, Ghent, Belgium.
- Gdynia Cotton Association, Gdynia, Poland.
- The East India Cotton Association, Ltd., Bombay, India.
- Japan Cotton Arbitration Institute, Osaka, Japan.

Although the information contained in this report is based on the best information available, it would be well for an exporter to check the fees and practices with the applicable arbitration board before having arbitrations or appeals done.

Technical arbitrations about terms of contract, such as shipment time, misinterpretation of terms of all kinds, are handled by the same boards but by different people.

Liverpool

Arbitrations.—Arbitrators of the Liverpool Cotton Association (LCA) though not salaried are experienced, active members of the LCA who are qualified to act as arbitrators. Many members decline to serve as arbitrators. In each arbitration there are two arbitrators, one representing the importer and the other the exporter; each is appointed by the party he will represent. Generally, importers and exporters use the same parties as their arbitrators; these are people in whom they have confidence, based on years of experience.

All arbitrations must be carried out by two disinterested members. No party with an interest in the cotton, like an agent of the exporter, may act as an arbitrator. No person who is not a member of the LCA may carry out an arbitration. The arbitrators work only when they are needed, i.e., irregularly. There are no full-time arbitrators.

If both parties (importer and exporter) agree to have their difference resolved by sealed arbitration, either of them may make an application to LCA's secretary requesting arbitration under the relevant rule (No. 305). When this is confirmed by the other party, the president of LCA appoints two disinterested members to carry out the arbitration; if they do not agree on the terms of the award, he may also appoint an umpire. For cotton less than 1-1/8 inch in staple length, he chooses a man who generally handles such cotton; for 1-1/8 inch and longer, he picks an umpire with experience in these lengths.

When the arbitrators have been appointed, they contact each other to set a time, suitable to the LCA, for the arbitration.

All quality arbitrations and appeals are carried out under artificial light unless the parties to a contract specifically demand that they be conducted under natural light. It is not necessary to obtain the agreement of the parties before the arbitration is performed under artificial light. The association

retains both facilities but natural light is now seldom used. An exception is the Sudan Gezira Board which insists on the old method (natural light). The changeover from natural to artificial light was designed to achieve a consistency of light and consequently a greater degree of accuracy in the assessment of quality.

Each of the two arbitrators is furnished only the terms of the contract: the quality (grade, staple, color, or private type), growth (Texas, Orleans/Texas, Mississippi Delta, etc., if so stated in contract), Micronaire and Pressley requirements, whenever so stated, and the last landing date of the steamer on which the cotton was shipped.

The price of the cotton purchased or sold is never furnished to arbitrators. The only time a price could be known to any of the arbitrators would be when the importer failed to give the terms of the contract needed for the arbitration requested (c.i.f., etc.) and the inexperienced importer, through an oversight, later sent a copy of the contract. This has happened in isolated cases with Hong Kong, but the price is never considered by the arbitrators.

In an arbitration on 100 bales, the samples are put on the table in five lots of 20 bales each, in this way:

[2](20) (20) (20) (20) [3](20)

Arbitrators move toward each other and cross over until each has classed all 100 bales.

For description sales, each arbitrator arbitrates against the Universal Standards for grades and the Official Standards for staple. Each one makes personal notes regarding the grade and staple of the cotton. Each recapitulates his findings and compares the total results (in terms of points "off") with the other, and both agree on an award based on the differences to be used in the particular arbitration. If they cannot agree, they call an umpire.

On private type business, the arbitrators normally attempt to agree on the value of the type in terms of Universal Standards. Otherwise, they proceed as in description business.

The arbitrators are paid by the parties to the arbitration—namely, the importer and the exporter. The same scale of fees prevails whether the arbitrators are appointed by the LCA president (in the case of sealed arbitrations) or by the importer and the exporter.

[2] One arbitrator starts here.
[3] The other arbitrator starts here.

Appeals.— The appeal committee is made up of 12 LCA members, selected annually by the membership, and a representative of ACSA. Only the ACSA representative is salaried. A chairman and vice chairman are elected by the committee each year.

A quorum consists of five, including the ACSA representative. The members holding an appeal must, of course, be disinterested in the cotton. Appeals are held every day. There is no super-appeal. (The ACSA representative is also present on appeals of Mexican cotton handled by U.S. exporters.)

In contrast to the arbitration system, the fees on appeals are collected by the LCA.

The author concluded that the LCA is trying to do a fair job for all, not wanting its reputation as a world cotton authority of over 100 years' standing to be damaged. The proof is that many countries outside the United Kingdom choose Liverpool arbitration.

Liverpool has fewer arbitrations on U.S. cotton shipments to India since the East India Cotton Association in Bombay is now arbitrating U.S. cotton.

The following is quoted from rules governing fees for arbitration and appeals in Liverpool.

Liverpool Arbitration Fees

Bylaw 63 (Amended 7/14/71): the minimum fees for arbitration as to quality and/or damp (exclusive of stamp fees which are laid down in By-Law 74) shall be as follows:

	Minimum rate per bale represented by the samples submitted	
	Members and Associate Members	*Non-members*
Quality		
(i) Where cotton is sampled as to more than 10%:-		
(a) Egyptian and Sudan	£0.10	£0.15
(b) American, American/ Egyptian and other growths	£0.07	£0.11
(ii) Where cotton is sampled as to 10% or less:-		
All growths:-		
up to 50 bales	£0.07	£0.11
over 50 bales	£0.05	£0.08
Damp		
All growths	£0.05	£0.08

The minimum fee payable by each party shall be the fee for 50 bales or part thereof represented and, in the case of cotton sampled as to 10% or less, this charge shall be at the rate payable for up to 50 bales. In all arbitrations as to quality or damp, each party shall pay the above fees.

Liverpool Appeal Fees

Bylaw 64 (Amended 7/14/71): the following shall be the minimum fees payable for appeals as to quality and/or damp:

	Minimum rate per bale represented by the samples submitted	
	Members and Associate Members	*Non-members*
Quality		
(i) Where cotton is sampled as to more than 10%:-		
(a) Egyptian and Sudan	£0.14	£0.21
(b) American, American/ Egyptian and other growths	£0.11	£0.17
(ii) Where cotton is sampled as to 10% or less:-		
All growths:-		
up to 50 bales	£0.11	£0.17
over 50 bales	£0.08	£0.12
Damp		
All growths	£0.08	£0.12

The minimum fee payable by each party for appeal shall be the fee for 50 bales or part thereof represented and, in the case of cotton sampled as to 10% or less, this charge shall be at the rate payable for up to 50 bales.

In appeals as to quality, an additional fee up to a maximum of like amount may be charged at the discretion of the Appeal Committee concerned when the contract provides for any increase of the allowance awarded.

Stamping Charges (Amended 7/14/71):

	Per bale represented by the samples submitted	
	Members and Associate Members	*Non-members*
Arbitration awards	£0.01	£0.04
Appeal awards	£0.01	£0.04

Bombay

Arbitrations.—There are six salaried full-time sworn surveyors (arbitrators) appointed permanently by the chairman of the East India Cotton Association (EICA), with the concurrence of the Forward Market Commission. The latter is a body formed by the Central Government of India under the Forward Contracts Regulation Act, 1952, which is similar to the U.S. Department of Agriculture's CEA.

The surveyors have no connection now with the trade or any members of the trade, but they have had long trade experience.

The applicants for arbitration send their samples drawn and sealed by the controllers in Hessian bags to the arbitration room where the clerk in charge receives them and issues a receipt. The superintendent of surveys and appeals, after giving the code number and removing the identification marks have the samples arranged in papers of 20 samples each and placed before the surveyors.

For description sales the grade standards and the official staple standards are placed before the surveyors when they examine the cotton. Each arbitration is worked by a team of three, two work together on a lot to be arbitrated and the third is called in case of any disagreement. The two examine each bale—first the grade then the staple. They put aside the bales that are "off", that is, not equal to the quality sold.

The "off" bales are classed against the standards for grade and staple so as to arrive at the arbitration award. The arbitration differences for grade and staple are set by a committee as per Bylaw No. 204 of EICA Ltd. The differences are based on the 12 U.S. (spot) cotton market differences and the Liverpool and Bremen arbitration differences which are fixed once at the beginning of the month. Against type sales, outturn samples are compared against the type, which is before the surveyors, and the "off" bales are classed in order to establish the value differences. The EICA compares the shipments against the average of the type. This type is compared with the standards solely for the purpose of establishing differences. The price of the cotton purchased or sold is never furnished for arbitration.

Appeals.—Appeals are handled by the other three permanent sworn surveyors who were not used on the arbitration. They follow the same method of examining the cotton as in arbitration. Whenever ACSA selects a representative for the appeal board, he will be added to the three sworn surveyors.

Since no price is ever known to the surveyors, price cannot be considered. In general, it can be said that the EICA arbitration and appeals are based on the Liverpool and Bremen systems.

With regard to the appeal, an excerpt from Bylaw 198 of the EICA bylaws is quoted:

"In respect to USA and Mexican cottons, an appeal shall lie from the Arbitrators' or Umpire's Award to an Appeal Committee, constituted of three Surveyors appointed under Bylaw 35 and a representative nominated by the American Cotton Shippers Association, who is ordinarily resident in Bombay. If no such nomination is made or the nominee so appointed is not present, then the appeal shall be disposed of by the panel of three surveyors appointed under Bylaw 35, provided such appeal is lodged with the secretary before 12:30 p.m. on the seventh day following the date of survey award."

At the present time, there is no ACSA representative in Bombay.

Current fees of the EICA for several of the arbitration and appeal services on foreign cotton are

given below. Similar services, but not necessarily at the same fees, are also provided on Indian cotton. Other services in addition to those listed are available from EICA.

	Fee in Indian Rupees	
	Up to the first 50 bales	*For the next 50 bales or less*
1. Arbitration as to quality:		
American cotton	200	100
East African and other foreign cottons	150	100
2. Appeals against survey awards:		
American cotton	250	150
East African and other foreign cottons	200	150
3. Survey for country damaged cotton:		
For members	75	50
For non-members	100	75
4. Appeals for country damaged cotton:		
For members	100	75
For non-members	125	100

Bremen

Arbitrations.—The claimant requesting an arbitration from the Bremer Baumwollboerse (BBB) furnishes only the mark and number of bales, quality description, steamer's name, last landing day, and the name of the counterparty. The price is never known; therefore it is not considered in the arbitration.

The samples are prepared (dressed) by BBB for the arbitration as in other markets, i.e., the samples are dressed down to uniform size.

BBB has three classers, sworn by the Bremen Senate (city council), who are full-time salaried employees of the BBB. These classers have had many years of experience in trade. Two classers work together. A 100-bale lot is usually put in five 20-bale papers (as in Liverpool).

The two BBB classers look at the same samples of bales together against the Universal Standard grade boxes and Official Standards for staple, except bales sold on types. The grade is classed first and the "falling off" bales are put aside. Then the staple is classed in the same manner. No "grade" or "staple" is mentioned at first, but the "falling off" bales are given a grade and staple in order to establish the "value difference."

Type sales are compared against the type, but the type is not classed at first. Only after the arbitration is the type classed in order to establish a value difference for the "falling off" bales. In other words, the shipments are classed against the type, which is on the table throughout the arbitration.

Classing is against the proportionate average of the type. After the arbitration, the type is compared with the standards solely for the purpose of establishing differences. Classing is carried through under artificial light exclusively. The lighting system is in agreement with the draft of the corresponding International Standards Organization (ISO) recommendations.

Appeals.—The BBB selects a panel of qualified appeal board members from among experienced cotton merchants, including a representative of ACSA. The latter also works in Rotterdam and Ghent, Milan, Le Havre, and Liverpool when he is called. Under an agreement between the BBB and the U.S. Department of Agriculture, the USDA appoints the members of the committee having final jurisdiction in the matter of appeals as officers of USDA who may be constituted as a board of cotton examiners.

A team of three (including the ACSA representative) examines the cotton and reviews the arbitration findings.

The ACSA representative receives a guarantee from ACSA, which, in turn, gets a share of the fees from the Bremer Baumwollbaense.

No party interested in any lot of cotton is allowed to participate in any arbitration or appeal. This is thoroughly checked by the staff of the BBB.

Following is a listing of the fees charged members and associate members at the BBB for arbitration and appeal. Fees for non-members are double.

Arbitration and Appeal Fees

	Arbitration	*Appeals*
	DM per bale	*DM per bale*
I. Quality arbitrations (effective Jan. 2, 1970):		
1. Appraisals and classifications:		
(a) Without bale number . . .	1.00	1.15
(b) With bale number	1.60	1.90
(c) Appraisal with "replacement clause" (numbers without value)	1.25	1.50
(d) Minimum fees	30.00	100.00
2. Classing of a type or comparing two types, etc.	10.00	
II. Laboratory (effective Sept. 2, 1965):		
Micronaire:		
(a) Up to 50 samples each. . . .	.70 (minimum DM 4.00)	(1)
(b) 51 to 100 samples each . . .	.60 (minimum DM 35.00)	(1)
(c) Over 100 samples each . . .	.50 (minimum DM 60.00)	(1)

[1] For appeals, the fees are increased 20 percent over the arbitration fees.

Regulations and charges for other services can be found in the rules of the Bremen Cotton Exchange.

The rules and regulations of the Bremen Cotton Exchange require the following additional allowances for cotton arbitrated:

§ *39.–Additional allowances.*

Without prejudicing the buyer's right to close the contract in the case of contracts for delivery *(§ 21 - 23 - 32)*, the seller shall pay an additional allowance on the basis of the average invoice value for each deficient bale in accordance with the following regulations:

a. For each bale deficient in quality by more than 10 percent of the contract-price: 3 percent.

b. In case of sales on description–for cotton from the United States, Mexico, and Central America also in case of sales on type–for each bale deficient by one grade and a half or more: 3 percent.

c. In case of cotton sold as middling or lower with the guaranty standard color, for each bale falling off to spotted, grey, or more color: 3 percent.

d. In case of cotton sold higher than middling with the guaranty standard color, for each bale falling off to spotted, light grey, or more color: 3 percent.

e. In case of sales of colored cotton up to and including spotted or grey, for each bale falling off to tinged, stained, or more color: 3 percent.

f. For each bale falling off in staple length by 1/16": 2 percent. For each bale falling off in staple length by more than 1/16": 3 percent.

Gdynia

The Gdynia Cotton Association (GCA) of Poland handles both arbitrations and appeals if the contract includes in writing the "Gdynia Arbitration" clause. The importer or buyer in Poland is always *Textilimpex* in Lodz, the only buying organization in Poland. The GCA arbitrates also for Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, and Romania.

The classification and valuation of North American cotton as to grade are effected on the basis of the Universal Standards for American upland cotton, and in respect of staple length, on the basis of the official Cotton Standards of the United States for length of staple.

All other cottons are classified on the basis of the respective official standards and–if such standards are not available–on the basis of standards of the most approximate cotton. (In the case of Egypt, no foreign arbitrations are allowed; the certificates issued by the Alexandria (Egypt) Cotton Authorities are final.

Cotton purchased on type is arbitrated by comparing it to the type sample, or selling type, duly sealed by the seller. The type sample, or selling type, must weigh at least 300 grams.

The calculation of the allowance is on the value differences published by the Association. In case of c.i.f. contracts, the value differences shall be those of the last day of landing; in all other cases the value differences are those in force on the day on which the application for arbitration is lodged.

Should the value differences not be representative of the respective growth of cotton, the allowance is calculated by the arbitrators at their own discretion.

A better-then-specified quality for some of the bales in a lot cannot be used to offset the below-specified quality of other bales in the lot, either between or within the factors of grade, color, staple, and character.

The grade of the cotton purchased on description must be even-running, unless "average" has been stipulated in the contract, but a deviation of up to half a grade of the respective standard is permissible, provided that within the delivered lot only 15 percent of the bales of lower grade are compensated by the same number of bales, which are correspondingly better in grade.

This requirement differs somewhat for cotton from the United States, Mexico, and Central America. If more than 5 percent of the bales are lower in grade by more than one full grade of the universal standards, the seller pays the buyer an additional allowance amounting to 2 percent of the average invoice price of each deficient bale.

If cottons of these origins were purchased with the clause "average" of a particular grade and provided for the lowest permissible grade to be delivered, the percentage deviation permitted and the penalty for exceeding it are about the same–namely, no more than 5 percent of the bales delivered can deviate by more than one full grade from the lowest grade stipulated or the seller has to pay the buyer 2 percent of the invoice price of the deficient bales.

Should the deficiencies in grade, on the average, amount to two grades or more for the whole lot, the seller pays the buyer an additional allowance of 4 percent of the average invoice price of the whole lot.

Finally for U.S., Mexican, and Central American cottons, if such cottons are purchased with the clause "Standard Color," the seller pays the buyer an additional allowance amounting to 3 percent of the average invoice price of each bale that falls off to light spotted, spotted, light grey, grey, light tinged, tinged, or worse.

As for cotton of other origins than the United States, Mexico, and Central America, additional allowances are as follows.

If the average value of cotton purchased on type or on description (after the already applied compensation) is lower by more than 5 percent of the contract value, the seller pays the buyer an additional allowance amounting to 2 percent of the contract value of the whole lot. If the average value of the cotton delivered is lower by more than 10 percent of the contract value, the seller pays the buyer an additional allowance amounting to 6 percent of the invoice value of the whole lot.

For each bale falling off in staple length by 1/16", the seller shall pay to the buyer an additional allowance, amounting to 2 percent of the invoice price of each deficient bale. For each bale falling off in staple length by more than 1/16", the seller shall pay to the buyer an additional allowance, amounting to 3 percent of the invoice price of each deficient bale.

In case of a contract with specific Micronaire-value stipulated, the valuation of the cotton character may consider only those character properties stipulated in the contract which are not covered by the Micronaire-value.

Within a period of 30 days after the last day of landing or the last of taking delivery of the cotton respectively, according to the contract conditions, each of the parties may lodge an application for arbitration on quality.

By mutual agreement of the parties, the period of 30 days may be, but once, extended to a period not exceeding 60 days. The application for arbitration covers the entire delivered lot and, in particular, contains:

1. Name of applicant
2. Date of contract
3. Full quality clause
4. Number of bales, their marks, bale number, and name of the ship
5. Last day of landing or last day of taking delivery of the cotton respectively
6. Name of the counterparty to whom a copy of the arbitration award is to be sent
7. Name of the firm that is to furnish arbitration samples
8. Names of the persons or firms representing the parties during the drawing and sealing of arbitration samples
9. Address to which the samples are to be returned after the expiration of the time allowed for appeal or after the issuance of the appeal award
10. Kind of arbitration applied for, whether regarding grade, color, character, length of staple or all these items conjointly
11. Name of applicant's arbitrator chosen from the panel of arbitrators drawn up and published by the association

Within a period of 14 days after the date of lodging the application for arbitration, copy of which has been sent to the counter-party, the latter shall notify the association of the name of his arbitrator appointed from the panel of arbitrators drawn up and published by the association.

Should the counterparty fail to appoint his arbitrator within the period prescribed herein, the arbitrator is appointed by the managing director of the Association from the panel of arbitrators drawn up and published by the association.

Arbitration fees are borne equally by both parties.

A panel of 20 arbitrators is selected and approved by the board of directors of GCA. Most of these arbitrators live in Lodz, although five live in Gdynia. The arbitrators are former classers with long experience, men trained specifically for classing and classers in mills or controlling companies.

Appeals.—Within a period of 14 days after the date of receipt of the arbitration award, each party may appeal against the award by submitting an appropriate application in writing to the association, while notifying simultaneously the counterparty of the demand.

The association is under the provisions of the present rules, the appeal instance in respect of Sudan cotton and cotton waste.

According to the arbitration clause introduced into the contract, either *Chambre Arbitrale de Cotons, S.A.* in Le Havre (France) or the association is the appeal instance in respect of cotton of other origin.

In case there is no explicit mention in the arbitration clause of the contract as to the competent appeal instance, it is to be understood that the association is the appeal instance.

The regulations and provisions of the present rules of the association concerning quality arbitration apply to any cotton arbitrated by the Appeal Committee of the *Chambre Arbitrale de Cotons S.A.* in Le Havre, France.

No person who acted as arbitrator or umpire in the matter in dispute or has an interest, direct or indirect, in it is eligible to act as chairman or member of the appeal committee. In case of an umpire being called, the umpire's decision as to amount of allowance required or offered shall not exceed the amount proposed by the arbitrators.

Current fees of the Gdynia Cotton Association for several of the arbitration and appeal services rendered are given below. Other services in addition to those listed are available from the Gdynia Cotton Association, such as, issuance of quality certificates; surveys for sampling, taring, damage and hidden deficiencies, and damp; arbitration of disputes arising from contracts; laboratory arbitration for micronaire and Pressley; and laboratory tests not concerning arbitration, for micronaire, Pressley, Shirley, humidity, fiber length, fiber strength.

Service	*Fee in U.S. dollars*	
	Per bale	*Minimum*
1. Arbitration on grade and/or color and/or staple irrespective of the growth of the cotton, cotton waste included	0.30	15.00

2. Supplementary arbitration on one of the properties–grade, color, staple	[1] .15	[1] 7.50
3. For detailed description of the cotton arbitrated	[1] .30	[1] 15.00
4. For arbitration awards specifying the numbers of the bales off	[1] .05	[1] 2.50
5. For appeal on grade and/or color, and/or staple, irrespective of the growth of the cotton, cotton waste included	.40	20.00
6. For appeal awards specifying the numbers of the bales off	[1] .05	[1] 2.50

[1] Additional fee.

Le Havre

The following is from rules governing Le Havre arbitrations adopted by the general meeting of the *Association Francaise Cotonniere* (AFCOT) of May 9, 1961.

Any dispute regarding quality:

Grade (colour, leaf and preparation)
and/or Staple, (length)
and/or Character,

such as can be appraised exclusive of the use of any mechanical apparatus, in connection with a contract subject to the Rules and Regulations of the Havre Cotton Market ("Reglement General du Havre") shall be settled according to the arbitration procedure determined by the present Rules.

The same shall apply to any dispute of the same kind, in connection with a contract bearing only the clause: "Havre arbitration" exclusive of any reference to the Havre General Rules ("Reglement General du Havre"): in such a case, articles 10, 11 and 13 of the Havre General Rules ("Reglement General du Havre") shall also apply, exclusive of any other article of the said Rules.

"Arbitrators" who are called upon to settle such disputes shall be appointed as friendly mediators invested with the most extensive powers.

General Provisions:

Rule 1.–(a) Disputes shall be submitted in the first instance to an "arbitration committee". The decision of said committee may be referred to an "appeal committee", the decision of the latter to be final.

Each arbitration committee and each appeal committee shall be composed of two arbitrators.

Arbitrators shall be appointed and summoned by the Secretary of the Chambre Arbitrale de Cotons (C.A.d.C.) who will distribute among them the lots to be examined. It is expressly specified that the arbitrators thus appointed or the firms with which they may have connections or the interests of which they represent, shall not be parties to the dispute in question.

(B) Cotton shall be examined by the arbitrators in premises designated and supervised by the C.A.d.C..

Arbitrators:

Rule 2.–(A) Arbitrations will be performed: (1) by "brokers-arbitrators" (courtiers-arbitres), nominated by the Board of Directors of AFCOT–and/or by salaried arbitrators having no other activity, nominated by the Board of Directors of AFCOT upon request of the C.A.d.C. and paid by the latter.

Furthermore, in case of need, the Secretary of the C.A.d.C. may designate one or more "substitute-arbitrators" selected from the list drawn up by the Board of Directors of the AFCOT.

(B) "Appeals" shall be performed by "appeal arbitrators", regular or substitute, nominated by the Board of Directors of the AFCOT. The appointment, as regards appeal arbitrators for U.S. and Mexican cotton, shall be made in agreement with the U.S. Department of Agriculture, Consumer and Marketing Service, Cotton Division.

(C) Brokers-arbitrators and substitute-arbitrators, as well as appeal-arbitrators, regular or substitute, shall be appointed for a period of one year, beginning August 1 and ending July 31. Their appointment may be renewed.

In the event of a vacancy among the arbitrators during the course of the year, it shall be attended to their replacement and appointments shall be made according to the provisions of paragraphs A and B of the present rule.

(D) All arbitrators, including substitutes, shall be strictly prohibited–under penalty of being eliminated from the list of approved arbitrators–from performing "quality arbitrations" other than those governed by the present rules.

Arbitrators shall be bound to professional secrecy.

(E) The Board of Directors of AFCOT shall decide on the provisional or final elimination of any arbitrator found guilty of having attempted to know the names of the buyer or the seller.

(F) Non-salaried arbitrators shall be paid by means of fees calculated and paid by the C.A.d.C..

Schedule of Differences:

Rule 3.–As often as circumstances require and at least once a month the "Committee of Differences" (Commission des Ecarts) shall convene in order to establish a schedule of differences between the qualities. This committee shall be composed of 12 regular members:

– Six representing buyers-importers:
  – three nominated by the French Cotton Spinners Ass'n
  – three nominated by the AFCOT Board of Directors
– Six representing sellers:
  – three agents for the importation of U.S. cotton recognized by the American Cotton Shippers Association
  – three agents for other origins

Appeal arbitrators may attend the meeting in an advisory capacity. Proceedings of the meeting shall be recorded. Members of the committee are nominated for 3 years; they may be renominated.

Rule 4.–Arbitration and appeal shall be performed on the basis of the standards, and official types and allowances shall be determined by the schedule of differences, established by the Committee of Differences, in force:

(a) on the last day of landing, when cotton unloaded from a ship is concerned.

(b) and on the day when delivery is called for, in all other cases.

As regards growths which do not appear in the schedule of differences, arbitration and appeal shall be performed on the basis of information received by the C.A.d.C..

Arbitration Fees:

Rule 5.–Arbitration and appeal fees shall be fixed by the C.A.d.C., in agreement with the Board of Directors of AFCOT. They are collected by the C.A.d.C. from the interested parties.

Rule 6.—Arbitration fees shall be borne half by the seller and half by the buyer regardless of the result of the arbitration.

Appeal fees shall be borne by the applicant.

Arbitration and appeal fees referring to contracts with rejection clause (falling "off" bales to be rejected, with or without replacement) shall be divided between the parties in the proportion in which each party shall be wrong in its contentions.

Organization of Arbitration:

Rule 7.—(A) Samples intended for arbitration shall be sent direct from the quay or warehouses to the C.A.d.C. in sealed bundles. The C.A.d.C. will not accept any responsibility as regards samples which are not sorted by marks. Samples must weigh at least 150 grams. If necessary, sub-samples required for Micronaire arbitration shall be drawn from these samples.

The C.A.d.C. shall hold the bundles of samples at the disposal of their owners until and including the tenth day following the appeal or until the end of the time allowed to appeal. After that delay, these bundles will become the property of the C.A.d.C..

When arbitration is not requested, samples must be removed by their owners within 15 days following the expiration of the period of time fixed by the Rules & Regulations of the Havre Cotton Market for demanding arbitration. If samples are not removed, they will become the property of the C.A.d.C. except by specific request applying to particular cases.

Rule 8.—(A) Requests for "Arbitration" and "Appeals" shall be submitted to the Secretary of the C.A.d.C.. They shall show the names of the seller and buyer, the number of bales to be arbitrated, the origin and the quality on which arbitration shall be performed and specify, if necessary, whether a micronaire clause is included in the contract, with or without a special clause, pertaining to character.

Arbitration requests shall be signed by the seller and by the buyer, or their representatives. Appeal requests shall be signed or stamped by the applicants or their representatives; or be accompanied by a copy of the notification of these requests to the other party.

Appeal requests must be submitted to the Secretary of the C.A.d.C. within 8 full business days following the date of the notification of the arbitration award.

The posting of the notifications of awards is done at the risk of the recipient.

In case of arbitration with rejection clause, the delay for appealing shall be reduced to 3 full business days, following the date of receipt of the notification of the arbitration results.

Rule 9.—(A) Samples will be submitted to the arbitrators by lots under a serial number affixed by the Secretary of the C.A.d.C., exclusive of any marks. Neither the name of the buyer nor that of the seller will be mentioned.

(B) Awards shall be signed by the arbitrators; copies sent to the parties for notification shall be signed only by the Secretary of the C.A.d.C..

Arbitration of Lots Delivered Against Contracts Containing a Micronaire Clause.

Rule 10.—As regards any dispute relating to quality where the contract contains a micronaire clause:

– in the absence of a special clause concerning character, arbitration for quality shall not consider character and the lot shall be penalized only for grade and/or for staple length.

– if the contract contains, besides the micronaire clause, a special clause concerning character, each party will inform the C.A.d.C. of the result of the micronaire test. These results shall be submitted to the arbitrators who shall have regard to such results when deciding their award.

Le Havre Arbitration
Schedule of Fees
(effective July 1, 1968)

	Per bale *Fr. francs*	*Minimum* *Fr. francs*
1. Cottons of all origins except No. 2		
a. grade and staple	3,10	155.00
b. grade only	2,20	110.00
c. staple only	2,60	130.00
2. Indian, Pakistani, and Burmese cottons		
a. grade and staple	(1) 2,40	130.00
b. grade only.	(1) 1,80	90.00
c. staple only	(1) 2,00	100.00
3. Indication of the number of bales peanlized	(2) 40	---
4. Indication of the penalty of each bale	(3) 70	---
5. Indication of the grade and staple of each bale	(3) 1.00	---
6. Rejection clause	(4) 4.00	(5) 80.00
7. Estimate of type or sample . . .	(6) 60.00	---

To this tariff the expenses for the documents have to be added and have been fixed at 2.00 francs per lot.

Appeal: Same fees and same minimum as for arbitration. These fees are reduced by 50% for the buyers and/or sellers members of AFCOT or of SGICF.

(1) On all the bales in the lot.
(2) In addition to fees nos. 1 and 2, it does not include the penalty of each bale.
(3) In addition to fees nos. 1 and 2.
(4) For each bale examined.
(5) Per lot.
(6) Per type or sample.

Milan

New rules of the Associazione Cotoniera Italiana governing cotton arbitration in Milan are as follows:

Rule 78.—Application for arbitration (always by buyers) must be filed with the Arbitration Chamber 30 working days after the last landing day of the cotton. Applicants furnish the number of bales, mark, quality, steamer's name, and the last landing day.

Rule 81.—Arbitrators are to be chosen from an official panel and kept up-to-date by the Board of the Arbitration Chamber.

The agents propose the names of their partners or employees to serve on this panel and, to a lesser degree, the spinners do likewise. Exporters and importers choose arbitrators, as is done in Liverpool.

For a 100-bale lot, four baskets of 25 bales each are prepared. The two arbitrators class together, first the grade and then the staple. The rejected bales are set aside.

Rule 82.–The arbitration awards are fixed by the two arbitrators appointed by the parties in dispute. Should the arbitrators fail to reach an agreement on the award, they call for a third, chosen from the official roll of arbitrators, whose decision is binding on the parties, except for their right to appeal.

Should the two arbitrators disagree on the choice of the third, the latter is appointed by the chairman of the Arbitration Chamber or, in case of his inability to attend, by one of the vice chairmen.

There are no salaried classers. No arbitrator may have any interest in the cotton. For type sale, type is classed first.

Quality arbitration fees are currently as follows:

First instance (arbitration): Fees of 16,000 lire per 100 bales to be paid by each party.

Appeal: Fee of 32,000 lire per 100 bales to be paid by the appealing party.

At the current exchange rate, above fees are equal to about $27.00 and $54.00, respectively, including turnover tax.

Appeals.–Appeals are carried out in the same manner as arbitrations. The appeal board has three members, two Italians (one agent and one spinner) and an ACSA representative. The ACSA representative comes to Milan from Le Havre as he is needed.

The rules and regulations of the Associazione Cotoniera Italiana contain the following:

Rule 110.–In addition to the allowance awarded by the arbitrators, the seller shall pay the buyer a penalty equal to 2 percent of the invoice value of all the bales which the arbitrators found to be lower than the contract quality by more than one grade, when the number of such bales exceeds 5 percent of the lot arbitrated.

Rule 111.–In addition to the arbitration award and to the 2-percent penalty set by Rule 110, the seller shall pay to the buyer a further penalty of 4 percent of the invoice amount for the entire lot arbitrated whenever the arbitrators ascertain that the average inferiority of the lot is of two grades or more.

Rule 112.–The penalties contemplated in Rules 110 and 111 shall also apply to staple deficiency and to this effect a difference of 1/16 of one inch in the staple length shall be considered equivalent to one grade, and penalties shall be assessed accordingly.

Rule 113.–In the assessing of penalties, the allowances awarded separately for grade and for staple shall not be cumulated.

Rule 114.–When the arbitrators have good reasons to believe that the cotton is of a growth different from that contracted and of an inferior trade value, the arbitration procedure shall be suspended and notice shall be given to the Secretary of the Arbitration Chamber of such action. The latter shall accordingly inform the interested parties and request the seller to furnish the particulars needed by the arbitrators in order to enable them to complete their investigation and render their decision.

Rule 88.–Super-Appeals.–Whenever the difference between the first instant arbitration and that of appeal exceeds altogether 50 percent in value of the first instance, the parties have the right to request a Super-Appeal. The same rules governing the appeal shall be applied for the Super-Appeal and the award is final. The Super-Appeal arbitrators may be acquainted with the two previous awards, but they too must not know the names of the parties in dispute and any particulars suitable to identify such parties. The Super-Appeal arbitrators shall have the right to request, whenever possible, freshly drawn samples and another type or sample.

Osaka

All arbitrations in Osaka on American cotton for quality, unless otherwise agreed on between contracting parties, is subject to the rules of the Japan Cotton Arbitration Institute (JCAI). In case there are any stipulations contradictory to each other between the JCAI rules and an agreement between GJAI and the Japan Cotton Traders Association (JCTA), the provisions of the agreement control.

In Osaka the standard "two-court" arbitration system is used; that is to say, there is an initial arbitration, and it is subject to appeal by either party.

Arbitration.–Four qualified Japanese classers, divided into two two-man classing teams, conduct the initial arbitration. In addition, there is a panel of qualified reserve classers, mutually acceptable to JCAI and USDA. In case of need, one or two more classing teams may be selected from this panel to serve on initial arbitrations.

Appeal.–Appeals, when requested, are conducted by one two-man classing team, composed of one Japanese classer and one American classer nominated by the Cotton Shippers Association (ACSA) classer. These two men serve only on appeals, never on initial arbitrations. Both must be approved by the USDA so as to be constituted as cotton examiners for the USDA on appeals.

Umpire.–If any two-man arbitration team or two-man appeal team cannot reach a decision on some particular lot (or lots), an umpire is called to help settle the matter. The majority decision then will prevail.

Fees.–Fees for arbitration are $0.35 per bale, to be paid by buyer on bales passed and by seller on bales called down. Appeal fees are $0.50 per bale, for appellant's account.

Samples.–Costs of samples and sampling are at the buyer's expense, and it is the buyer's responsibility to provide the 100 percent samples for arbitrations. Samples must be drawn from both sides of each bale in the presence of the seller's representative before cotton is removed from wharf warehouse within 30 days after the completion of assortment, and the samples must be adequately sealed by the parties concerned. The time limit for submitting application is 30 days after last day of landing.

Samples are aired in the arbitration room for 24 hours and put in trays, usually of 25 bales. Both arbitrators class the cotton together for quality. The arbitrators are to know only description or type and

growth of cotton involved and only when signing copies of the award should they know any other details. Micronaire arbitrations can be held in accordance with an agreement between JCTA and ACSA as amended November 10, 1965.

Pressley is not arbitrated but a laboratory is available at JCAI for giving Pressley measurements to any parties on request.

On description sales, the arbitrators have the grade standard boxes and the U.S. official staple types before them. On type sale, they likewise have the type before them.

The arbitrators record the "off" bales in terms of fractions of grade "off" (i.e. ¼, ½, ¾, etc., grade off) the description sold, not in terms of cent points.

For "colored" cotton (light spotted, spotted, stained, tinged) sales, they record the grade description—say, five bales middling spotted, five bales strict middling light spotted, etc., for establishing the value.

In all type arbitrations, direct comparisons are made between shipping samples and the type. In other words, the arbitrators class "type" sales against the type itself and not the value. (The value is for establishing the differences only.)

Arbitrations are held in Osaka not only on cotton shipped to Japan but also on shipments to other Far East destinations such as Taiwan, Korea, Manila, Vietnam.

In all cases, the difference on the day before the last landing date applies.

Allowances.—The seller is not entitled to any allowance for bales superior in grade or staple to the quality stipulated in the contract, but within the limit of 10 percent of the lot bales half a grade "off" are compensated by bales half a grade "up."

Whenever any lot arbitrated is shown to be more than one grade "off" to an extent exceeding 10 percent of the bales in the lot, the seller pays the buyer a penalty equal to the arbitration allowance for grade on that portion of the lot which is more than one grade "off".

Should more than 10 percent of any lot be more than 1/16 of an inch off in staple, the seller pays the buyer a penalty equal to the arbitration allowance for staple on that portion of the lot which is more than 1/16 inch "off".

ACSA Memphis Review.—ACSA member shippers have the right of having 100 percent appeal samples returned to Memphis for review classification at their own expense if request for such return is submitted to JCAI in writing by the shipper or his designated agent within 10 days after date appeal is held. Such review classification is for reference only and shall have no bearing on the appeal award.

Cotton Buying Practices in Foreign Countries

The buying practices outlined below apply to cotton exported by the United States and by foreign countries, but it must be kept in mind that some new raw-cotton-processing countries in Africa and Asia may change their buying practices because they think a new method would be more advantageous.

North America

Mills in Canada buy U.S. cotton directly from U.S. exporters. Some large Canadian mills have their own buying offices in the United States.

Western Europe

The cotton business in *Austria* is split between Vienna and Dornbirn (Vorarlberg), both in the heart of mill centers. Cotton is sold through local agents of cotton exporters or of Bremen, Rotterdam, Le Havre, Hamburg, and Milan merchants. Agents in Switzerland also handle some business, particularly with mills in Vorarlberg since this Province borders Switzerland.

Practically all sales of cotton to mills in *Belgium* are made by agents in Ghent, Antwerp, and Brussels; these agents represent cotton exporters. A few agents deal as merchants who also sell beyond the borders of Belgium. Some business may also be concluded directly between mills and exporters.

In *Denmark* cotton exporters have agents in Copenhagen who sell to the mill; there are no cotton merchants. Some business may also be concluded directly between the mill and exporters.

In *Finland* cotton is sold to mills through agents of cotton exporters in Helsinki; there are no cotton merchants.

In *France* cotton is sold to mills partly through agents and partly through merchants. Exporters have either agents or direct connections with Le Havre merchants. These agents in turn have subagents in mill centers like Lille, Roubaix, Rouen, and Mulhouse. There are also some exporters' agents in Lille. During and after World War II, merchants and agent firms in Le Havre opened offices in Paris because the French Government's buying offices were located there. Now, the cotton trade has all returned

to Le Havre. The port of Le Havre remains the most important port in France where cotton is stored and the spot market is still active. Dunkirk and Marseilles are the other cotton ports.

The U.S. cotton business in *West Germany* is concentrated in Bremen, where most U.S. cotton exporters have their connections. Although there still are some agents of exporters in this city, all Bremen cotton firms are considered merchants. Before World War II, the large Bremen cotton merchants sent their own representatives to buy cotton in the United States. A few Hamburg merchants also handle U.S. cotton although most of them concentrate on other growths. The Bremen and Hamburg merchants have subagents in the mill districts, such as Gronaw, Nordhorn, Rheine, Rheydt, Stuttgart, Augsburg, and Munchen-Gladbach. In the Bremen market there are also brokers who supply offers from merchants to merchants.

In *Greece* U.S. cotton is sold to mills or cotton merchants through agents of exporters. The business in U.S. cotton is small and limited to specialty cotton because Greece has become a substantial cotton producer and exporter.

In *Ireland* most of the cotton is bought by mills directly from or through Liverpool firms.

In *Italy* exporters are represented by agents in Milan, the main cotton center of Italy. There are no cotton merchants in Italy. The agents, in turn, have subagents in the Milan, Turin, Venice, Naples, and a few other mill districts.

For the *Netherlands* most of the cotton is sold by agents of cotton exporters in Enschede or Rotterdam, principally in Enschede which is located in the heart of the Dutch mill center. In Rotterdam there are some cotton merchants who may also do business outside the Netherlands.

Norway has no cotton merchants, and all the cotton is sold directly to mills by exporters or through agents of cotton exporters in Oslo or Bergen.

In *Portugal* very few of the agents of cotton exporters are located in Lisbon; most are in Oporto, the principal mill district in the country. These agents sell to mills. Some also merchandise cotton.

In *Spain* U.S. cotton is bought through agents of cotton exporters by mills and/or merchants, but Spain produces some of its own cotton needs and even exports small quantities at times.

In *Sweden* cotton is sold to mills through agents of the exporters. Most agents are located in Gothenburg; a few are in Stockholm.

In *Switzerland* cotton is sold to mills through agents of cotton exporters. The cotton business is concentrated in Zurich although a few exporters' agents are also located in Lausanne and Geneva. The sole merchant firm is located near Zurich.

In the *United Kingdom* some exporters have agents. Others have direct connections with Liverpool and Manchester merchants and some with mills. Agents and merchants both sell to mills. For several years during and after World War II, cottons were purchased through the Raw Cotton Commission, a government organization, but this practice has been discontinued. The United Kingdom has fewer cotton firms than before World War II because of reduced spindles and increased use of manmade fibers, increased textile imports, and other factors; hence smaller consumption of cotton has affected the British cotton trade.

Socialist Countries

U.S. cotton can be exported with no restrictions to most Socialist countries, including Mainland China. Exceptions are exports to North Korea, North Vietnam, and Cuba, which require a validated export license from the Office of Export Control, U.S. Department of Commerce. (Exports to Rhodesia also require such a license.)

The names and addresses of buying organizations in the Socialist countries follow.

Albania: "Exportal," Rue 4, Shkurti 6, Tirana.

Bulgaria: "Industrialimport", 3, rue Positano, Sofia.

China: "The China National Textil-Import & Export Corporation," 48, Tung An Men Street, Peking.

Czechoslovakia: "Centrotex", Trida Dukelskych Hrdinu 530/47, P.O.B. 7970, Prague 7.

German Dem. Republic: "Deutscher Innen-und Aussenhandel Textil," Behrenstrasse 46, Berlin W. 8.

Hungary: "Importtex", Bajscy-Zsilinszky Ut 16, P.O.B. 361, Budapest 5.

Poland: "Textilimpex", Lodz 22, Lipca 2.

Romania: "Romanoexport", 4, Piata Rosetti, Bucharest.

USSR: V/O "Exportlyon", Smolenskaja Ploszczadz 32/34, Moscow.

Yugoslavia: "Centrotextil", Knez Mihajlova Ul. 1-3/III, Belgrade.

"Textil Import-Export", Sostariceva 10, P.O.B. 342, Zagreb.

"Jugotextil-Impex", Ljubljana.

"Makotex" Export-Import, Skopje.

Bulgaria, East Germany, Hungary, and Romania used to have agents of cotton exporters and subagents of merchant firms in Bremen, Hamburg, Rotterdam, Le Havre, Liverpool, Milan, and other places. Now the cotton is bought through government organizations. Albania is not a large importer of cotton.

In *Czechoslovakia* cotton exporters sell directly to a central government buying office, "Centrotex," in Prague. In prewar days there were agents of cotton exporters and of Bremen, Hamburg, Rotterdam, Le

Havre, and Liverpool merchants in the mill centers of Czechoslovakia: Reichenberg, Prague, Nachod, and others.

Like Czechoslovakia, *Poland* has no cotton agents or merchants. Exporters offer direct to a central government buying organization, "Textilimpex" in Lodz. The buying of cotton has been done by cable or by representatives of "Textilimpex" who come to the United States to purchase and pass on the quality of cotton. Prior to World War II, there were agents of cotton exporters and European merchants in Lodz, the center of the mill district.

For the *Soviet Union* a Trading Organization buys all the cotton imported. Russian cotton is sold on Moscow classification before shipment, but when anxious to sell, the Soviet Union might agree to Liverpool arbitration.

There are at present no cotton agents or merchants in *Yugoslavia*. Raw cotton imports are determined and regulated by the Yugoslav Government through its Federal Directorate for Raw Material Reserves (FDRMR). After basic determinations are made by the FDRMR in consultation with the mills and other government agencies as to quantities, sources, and method of financing imports, the actual importing is done by the four large import firms–Centrotextil in Belgrade; Makotex Export-Import in Skopje; Textile Export-Import in Zagreb; and Yugotextil-Impex in Ljubljana. These firms may send some representatives to the United States when they have large quantities of cotton to purchase, and they accept the cotton there.

Prior to the Communist regime, *Mainland China* was a large cotton-importing market for U.S. cotton. Activities were concentrated in Shanghai, where the agents of exporters were located. Some of the mills have moved to Taiwan or Hong Kong.

Asia and Oceania

In *Australia* cotton is bought by mills from agents of cotton exporters. Some exporters may have direct contact with mills. Imports of cotton have declined as domestic production has increased.

In *Burma* the only U.S. cotton long ago was programmed in small quantities under P.L. 480. These purchases were handled through the Burmese Government for the government-owned mill. The construction of additional cotton mills by the government has taken place. No U.S. cotton has been programmed to Burma in a long time and none has been purchased on a cash basis.

Cambodia buys cotton through its embassy in Washington on Form A certificates.

Ceylon's limited cotton industry bought small quantities of U.S. cotton prior to World War II through cotton merchants in Bombay. An expansion of the cotton textile industry, which now consists of only two mills, could change this situation. The main suppliers of cotton to Ceylon have been for many years East Africa, Sudan, and Egypt, but the quantity has never been large.

Hong Kong has liberalized cotton imports. The cotton is sold through agents of the exporters to the mills. Some cotton is sold directly to mills by exporters.

India has an old and well-established cotton trade which includes agents, brokers, and merchants mainly in Bombay. In September 1970, the Government of India began its program of cotton nationalization by creating the Cotton Corporation of India (CCI). In 1971-72, CCI will handle all imports of Egyptian and Sudanese cotton and about 60 percent of all other growths imported, while the private import trade will handle the remainder. It appears that the percentage of imports handled by CCI will increase in the future.

Cotton is imported into India under government licensing arrangements. Licenses are issued to mills on the basis of working spindle capacity, and sometimes on whether its products are exported. The quota letters granted by the Textile Commissioner's office to the individual mills are then passed on to CCI or an individual importer to see if they can supply the specific cotton requirements. The Ministry of Foreign Trade decides whether CCI or the private trade imports the cotton.

Bombay agents and merchants have had, in the past at least, subagents or branch offices in the principal mill centers of Madras, Cawnpore (Kampur), Ahmedabad, Coimbatore, and Calcutta. Some large mills have had buying offices in Bombay. Whether these type arrangements will continue since CCI has come into being remains to be seen.

In *Indonesia* when most mills were connected with foreign mills (Dutch and British) or had foreign capital, the buying of cotton was in fact done by the foreign interests abroad. Now the cotton is purchased for the Indonesian Government through its representatives in New York who issue tender notices.

Iraq is not a regular user of foreign cotton. In the past this country occasionally bought foreign cotton direct from cotton exporters.

In *Israel* cotton is bought by mills through agents of exporters, but the increasing Israeli cotton crop has minimized purchases of U.S. cotton and other foreign cottons.

Cotton exporters sell cotton in *Japan* to Japanese merchants directly or through their agents in Osaka. These merchants in turn sell to mills. No agents deal directly with mills. Several of the large Japanese merchant firms have branches or affiliates in the United States that buy cotton directly from farmers, gins, U.S. merchants, and the CCC like any U.S. cotton exporter. This situation reduced the volume sold by Japanese-based agents of U.S. exporters.

Korea buys a large percentage of its imported cotton from the United States because of the financing arrangements aid it receives from this country. There are agents but no merchants in Korea. It is buying dollar cotton on credit now.

Lebanon irregularly buys small quantities of U.S. cotton directly from American exporters. There are few cotton agents in this country.

Malaysia has some cotton spinning mills in Johore State, opposite Singapore and in other parts of Malaysia. So far, the cotton is bought directly from exporters or agents in Hong Kong and Malaysia or directly by the mills.

Pakistan, like India, has an old and well-established cotton trade, which includes agents, brokers, and merchants. The center of this trade is Karachi. Mills in both East and West Pakistan buy foreign cotton through agents of cotton exporters or through Pakistani merchants in Karachi. At present, American extra-long staple is the only foreign cotton imported because Pakistan is a large grower of upland and Desi type cottons.

In the *Philippine Republic* Manila agents of cotton exporters generally sell cotton to the mills. A few mills buy directly from exporters. Some mills or their affiliate companies have offices in the United States that buy direct from U.S. cotton shippers.

The *Ryukyu Islands* buys cotton for its only mill through a Japanese firm in the United States.

The first mill in *Singapore* was liquidated in 1962, and some of its equipment was transferred to Johore State in Malaysia. Construction of new mills has taken place since then in Singapore and the industry is growing. As in Malaysia, Singapore's cotton is usually bought through agents in Hong Kong or by mills direct from exporters.

South Vietnam's cotton textile industry buys cotton directly from exporters or through agents of exporters in Saigon.

In *Taiwan* the purchase of U.S. cotton under aid programs, which is dwindling, is carried on by the Taiwan Cotton Purchasing Association, Taipei, for some 16 mills. Other mills buy individually. The Central Trust of China buys cotton for the account of the government, while free dollar purchases are made individually by mills. In Taipei there are many agents representing cotton exporters, but no merchants are located in this city.

In *Thailand* U.S. cotton is bought directly from the exporter or through agents of U.S. exporters in Bangkok or Hong Kong. Thai cotton production has displaced to a certain extent the consumption of U.S. cotton and other foreign cottons.

South American And Caribbean

Mills in Argentina buy very little foreign cotton; when they do, the purchases are negligible and infrequent and are made directly from exporters or through exporters' agents.

Brazil produces all the cotton it needs, except for some extra-long staple.

In Bolivia foreign cotton is bought through government offices.

In Mexico small quantities of Egyptian are imported.

Chile, Cuba, Colombia, Ecuador, Uruguay, and Venezuela buy cotton through local agents of cotton exporters. Some mills in Chile and Colombia have samples of their purchases in the United States approved by cotton firms before shipment. The quantities for all these countries remain small.

In the Dominican Republic and Jamaica, cotton is bought directly from exporters by the mills.

Africa

Algeria's mill industry has been nationalized and buys its cotton through its government. The cotton spinning industry has grown in the last 6 years and Algeria has purchased more U.S. cotton.

In *Ethiopia* cotton is bought directly from cotton exporters and through agents of cotton exporters. It consumes increasing amounts of local cotton and practically no Sudan cotton as formerly.

Ghana buys its cotton for its one mill through a U.S. general import and export firm by tender notices to the cotton export trade.

Guinea buys its U.S. cotton by tender notices to the U.S. cotton export trade issued by its embassy in Washington, D.C.

In *Morocco* cotton is bought partly through firms in France, which still have connections with Moroccan mills. Some mills also buy directly from exporters or through agents of exporters in Morocco.

Rhodesia bought U.S. cotton for the first time in 1956. These purchases were handled either direct between the mills there and U.S. cotton exporters or through agents of cotton exporters in the Union of South Africa. Since the political disturbances in Rhodesia, no U.S. cotton has been sold to that country.

In the Republic of *South Africa* U.S. cotton is sold mainly through exporters' agents there. Some mills

with ties in Europe still buy cotton there, but this system will disappear sooner or later.

Tunisia, a new buyer of cotton since 1963, purchased at first its needed cotton from the United States through its Washington embassy by tender notices to all the cotton trade. This country has only one mill, which is run by the state but has not bought any U.S. cotton lately.

Zaire (until recently Congo [Kinshasa]) has resumed the consumption of local cotton since the recovery of its country.

Handling of Cotton Abroad

Cotton imported on a c.i.f. or c. & f. basis by an agent of an exporter is delivered to the buyer at the port. The buyer is either a cotton import merchant or a mill. If the buyer is a mill, the cotton is most likely shipped immediately to the mill warehouse. If the buyer is a merchant, the cotton is either delivered to a mill buyer at the port or shipped to a warehouse at the port for storage. If shipments against a c.i.f. sale are made "guaranteed through," i.e., with weights, tare, and quality guaranteed, the weight and tare are established on arrival at the port and the quality is checked by the buyer from the samples taken at the port. When buyers, principally mills, buy f.o.w. at the port, the agent of the exporter arranges for loading the cotton in cars or trucks. Consignments are sold either ex-warehouse or f.o.b. warehouse.

Cotton merchants or importers abroad engage in many of the same activities and have many of the same problems as U.S. cotton exporters. They have to take care of hedging, insuring, financing, storing, and shipping.

Appendix

Cotton Standards

Official Cotton Standards of the United States for Length of Staple

(All American cottons)

Inches:

*Below 13/16
13/16
7/8
29/32
15/16
31/32
1
1-1/32
1-1/16
1-3/32
1-1/8
1-5/32
1-3/16
1-7/32
1-1/4
*1-9/32
1-5/16 (physical types for American Egyptian only)
*1-11/32
1-3/8 (physical types for American Egyptian only)
*1-13/32
1-7/16 (physical types for American Egyptian only)
*1-15/32
1-1/2 (physical types for American Egyptian only)
*1-17/32
*1-19/32
*1-5/8
*1-21/32
*1-11/16
*1-23/32
*1-3/4

NOTE: The standards marked with an asterisk (*) are descriptive. The others are represented in physical form.

Official Cotton Standards of the United States for the Grade of American Upland Cotton-Universal Standards

White Cotton
*Strict Good Middling
Good Middling
Strict Middling
*Middling Plus
Middling
*Strict Low Middling Plus
Strict Low Middling
*Low Middling Plus
Low Middling
*Strict Good Ordinary Plus
Strict Good Ordinary
*Good Ordinary Plus
Good Ordinary

Spotted Cotton
*Good Middling Spotted
Strict Middling Spotted
Middling Spotted
Strict Low Middling Spotted

Tinged Cotton
*Good Middling Tinged
Strict Middling Tinged
Middling Tinged
Strict Low Middling Tinged
Low Middling Spotted

Light Spotted Cotton
*Good Middling Light Spotted
*Strict Middling Light Spotted
*Middling Light Spotted
*Strict Low Middling Light Spotted
*Low Middling Light Spotted
Light Gray Cotton
*Good Middling Light Gray
*Strict Middling Light Gray
*Middling Light Gray
*Strict Low Middling Light Gray
Gray Cotton
*Good Middling Gray
*Strict Middling Gray
*Middling Gray
*Strict Low Middling Gray
Yellow Stained Cotton
*Good Middling Yellow Stained
*Strict Middling Yellow Stained
*Middling Yellow Stained
Below Grade Cotton
*Below Grade Cotton

NOTE: The standards marked with an asterisk (*) are descriptive. The others are represented in physical form.

Official Cotton Standards of the United States for the Grade of American Egyptian Cotton

Grade No. 1	Grade No. 6
Grade No. 2	Grade No. 7
Grade No. 3	Grade No. 8
Grade No. 4	Grade No. 9
Grade No. 5	*Grade No. 10

Official Cotton Standards of the United States for the Grade of Sea Island Cotton

Grade No. 1	Grade No. 4
*Grade No. 1-1/2	*Grade No. 4-1/2
Grade No. 2	Grade No. 5
*Grade No. 2-1/2	*Grade No. 5-1/2
Grade No. 3	Grade No. 6
*Grade No. 3-1/2	*Below Grade No. 6

NOTE: The standards marked with an asterisk (*) are descriptive. The others are represented in physical form.

World's cotton spindles as of December 31, 1969
[1,000 spindles in place]

North America:	
Canada	795
Cuba	227
El Salvador	125
Mexico	2,325
United States	[2] 20,133
Others	261
Total	23,866
South America:	
Argentina	1,097
Brazil	3,602
Chile	406
Colombia	659
Ecuador	128
Peru	281
Uruguay	180
Venezuela	290
Others	[5] 51
Total	6,694
Western Europe:	
Austria	416
Belgium	1,068
Denmark	40
Finland	168
France	3,621
Germany, West	[1] 4,349
Greece	[3] 451
Italy	4,125
Netherlands	552
Norway	[2] 91
Portugal	1,335
Spain	2,101
Sweden	155
Switzerland	965
United Kingdom	3,635
Yugoslavia	[1] 1,100
Others	160
Total	24,332
USSR	14,604
Eastern Europe:	
Bulgaria	[1] 800
Czechoslovakia	2,124
Germany, East	[1] 1,625
Hungary	688
Poland	[3] 2,083
Romania	[1] 850
Total	8,170
Asia and Oceania:	
Australia	[4] 236
Burma	190
China, Mainland	[1] 13,550
China, Taiwan	1,200
Hong Kong	826
India	[3] 17,668
Indonesia	527
Iran	782
Iraq	53
Israel	308
Japan	[6] 11,659
Korea, South	856
Lebanon	[1] 95
Pakistan	2,915
Philippines	780
Syria	167
Thailand	355
Turkey	1,200
Vietnam, South	150
Others	959
Total	54,476
Africa:	
Algeria	160
Egypt	1,596
Ethiopia	167
Nigeria	240
South Africa	487
Sudan	80
Zaire	109
Others	858
Total	3,697
World total	135,839

[2] Spindles active on December 31. [5] Partly estimated. [1] September 30. [3] Including waste spindles. [4] June 30. [6] Includes spindles in "Mothball" storage.

Source: International Federation of Cotton and Allied Textile Industries, Zurich, Switzerland.

U.S. exports of cotton by country of destination, average 1960-64 and 1965-69, annual 1968-70[1]

Country of destination	Average 1960-64	Average 1965-69	1968	1969	1970
	Bales[2]	*Bales*[2]	*Bales*[2]	*Bales*[2]	*Bales*[2]
Austria	23	2	0	0	0
Belgium	121	38	29,583	18,509	46,410
Denmark	14	5	714	5	5
Finland	17	9	3,059	6,376	1,800
France	319	108	87,750	30,379	60,219
Germany, West	269	82	31,123	26,126	65,472
Italy	345	145	62,379	46,288	56,529
Netherlands	110	28	19,149	18,654	34,349
Norway	13	7	4,623	984	2,876
Poland	125	71	106,076	51,387	0
Portugal	21	5	8,226	1,640	4,733
Romania	2	9	0	46,387	56,655
Spain	74	5	4,936	3,812	19,232
Sweden	81	59	50,898	37,094	28,669
Switzerland	74	44	31,787	14,839	33,424
United Kingdom	244	98	48,197	37,989	95,049
Yugoslavia	112	89	53,850	0	1,947
Other Europe	15	8	7,389	3,705	19,984
Total Europe	1,979	812	549,739	344,174	527,353
Algeria	9	11	27,465	11,322	31,654
Australia	61	13	0	50	7,295
Bolivia	7	3	0	0	0
Canada	353	199	108,117	180,508	291,695
Chile	18	2	133	1,015	1,598
Ethiopia	9	12	9,087	1,261	2,821
Ghana	1	14	16,886	27,304	43,462
Hong Kong	148	166	194,173	60,606	192,618
India	314	225	173,667	260,614	210,624
Indonesia	40	116	105,037	242,362	193,517
Israel	15	3	785	13	2,309
Jamaica	4	3	1,599	1,750	2,708
Japan	1,192	852	536,332	622,573	841,438
Korea, Republic	261	385	446,957	454,506	491,149
Malaysia	1	4	5,805	5,629	10,612
Morocco	12	22	18,639	28,404	22,772
Pakistan	14	18	1,253	16,218	5,599
Philippines	123	129	118,660	146,009	136,618
Singapore	1	4	3,498	2,185	10,815
South Africa	41	20	8,997	3,523	19,174
Taiwan	209	276	259,339	192,834	406,223
Thailand	34	67	66,131	54,438	142,480
Tunisia	2	9	0	0	0
Venezuela	8	1	14	497	8,942
Vietnam S.	46	65	61,912	99,383	114,385
Zaire[3]	6	14	0	0	0
Other countries	16	18	17,208	11,011	22,044
Total, all countries	4,924	3,463	2,731,433	2,768,189	3,739,905

[1] Year beginning August 1.
[2] Running bales.
[3] Congo (Kinshasa) prior to Nov. 3, 1971.

List of Exporters

Regarding possible ommissions, no discrimination is intended and no guarantee of reliability is implied.

American Cotton Shippers Association
October 1971

Most of the firms listed have branch offices, which are not included in this list.

Firm & Address	*Cable Address*	*Telex*
R. H. ALLEN & COMPANY 45 Union Avenue Memphis, Tennessee 38103	"DERSAIL"	
ALLENBERG COTTON CO., INC. 104 South Front Street P. O. Box 254 Memphis, Tennessee 38101	"ALLENBERG"	53-897 53-967
ALLEN, GARDNER & SCOTT, INC. P. O. Box 1091 Spartanburg, South Carolina 29301	"ALSCOT"	809-413
ANDERSON, CLAYTON CO., INC. 2 South Front Street P. O. Box 117 Memphis, Tennessee 38101	"ANDERCLAY"	53-856
AUSTIN COTTON COMPANY P. O. Box 729 Austin, Texas 78767	"AUCOCO"	
GEO. D. BENNETT & COMPANY P. O. Box 544 Harlingen, Texas 78550	"BENNETT"	
BLOCK & UNOBSKY 415 McCall Building P. O. Box 751 Memphis, Tennessee 38101		
J. G. BOSWELL COMPANY 510 South Spring Street Los Angeles, California 90013	"JAMESBOS"	
CHICKASAW COTTON COMPANY 51 Center Lane P. O. Box 309 Memphis, Tennessee 38101	"LUBE"	
COOK INDUSTRIES, INC. 3185 Democrat Road P. O. Box 16902 Memphis, Tennessee 38116	"COOKCOMP"	53-984
COTTON IMPORT & EXPORT CO. P. O. Box 183 Dallas, Texas 75221	"COTTONIMEX"	73-0136
COVINGTON & SMITH COMPANY P. O. Box 8 Norway, South Carolina 29113		
CRAWFORD & COMPANY 349 E. Bodley Avenue P. O. Box 9252 Memphis, Tennessee 38101	"CRAWFORD"	

Firm & Address	*Cable Address*	*Telex*
DALLAS COTTON COMPANY P. O. Box 183 Dallas, Texas 75201	"DALCO"	73-0136
LOUIS S. DALTROFF & CO., INC. 105 South Front Street P. O. Box 1219 Memphis, Tennessee 38101	"DALCOT"	53-3128
R. L. DIXON & BROTHER, INC. 601 Cotton Exchange Building Dallas, Texas 75201	"DIXON"	730-395
W. B. DUNAVANT & COMPANY 3797 New Getwell Road P. O. Box 443 Memphis, Tennessee 38101	"DUNCO"	53-854
ESTEVE BROTHERS & COMPANY, INC. P. O. Box 2129 Dallas, Texas 75221	"ESTEVE"	73-2224
ESTEVE COTTON COMPANY P. O. Box 114 Dallas, Texas 75221	"COTEVE"	
T. J. FLAKE & COMPANY 928 Cotton Exchange Building Memphis, Tennessee 38103	"FLAKE"	
BERSON FRYE & COMPANY P. O. Box 348 Fresno, California 93708	"BERSONFRYE"	35-4565
GANT-COOLEY COTTON COMPANY 604 Cotton Exchange Building Dallas, Texas 75201	"COLCOT"	
GARDNER & COMPANY 1201 Cotton Exchange Building P. O. Box 1500 Memphis, Tennessee 38101	"GARPE"	53-865
H. R. GOULD & COMPANY 800 Cotton Exchange Building New Orleans, Louisiana 70130	"GOULDCO"	58-4177
JAMES C. HILL & COMPANY, INC. 1003 Cotton Exchange Building P. O. Box 599 Memphis, Tennessee 38101	"JIMCOT"	
HOHENBERG BROTHERS COMPANY 266 South Front Street P. O. Box 193 Memphis, Tennessee 38101	"HOHENBERG"	53-811 53-818 TWX 810- 591-1261
R. T. HOOVER & COMPANY, INC. P. O. Box 1769 El Paso, Texas 79999	"HOOVERCO"	749-459 TWX 910- 964-1348
C. ITOH & CO. (AMERICA), INC. P. O. Box 1326 Dallas, Texas 75221	"CITOH"	7-3311
JAPAN COTTON COMPANY P. O. Box 1247 Dallas, Texas 75221	"NICHIMEN"	7-3355

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KANEMATSU-GOSHO (U.S.A.), INC. 219 Cotton Exchange Building Dallas, Texas 75201	"KANEGOLD"	73-2283
H. KEMPNER P. O. Box 119 Galveston, Texas 77551	"KEMPNERCO"	76-5410
A. LASSBERG & COMPANY P. O. Box 729 Austin, Texas 78767	"LASSBERG"	
JAMES LAWRENCE & COMPANY 232 Madison Avenue New York, New York 10016	"LAWRENCO"	
W. D. LAWSON & COMPANY P. O. Box 339 Gastonia, North Carolina 28052	"LAWSCO"	
R. G. McCLUNG COTTON CO. P. O. Box 215 Dallas, Texas 75221	"MACLUNG" "JRHC"	
GEO. H. McFADDEN & BROTHER 66 West Court Avenue P. O. Box 168 Memphis, Tennessee 38101	"MCFADDEN"	53-81
MARUBENI-IIDA (COTTON) CO. P. O. Box 1796 Dallas, Texas 75221	"MARUBENI"	7-3330
V. A. MAUDR COMPANY 925 Cotton Exchange Building Houston, Texas 77002	"MAUDRCO"	
MIKULENKA & COMPANY, INC. P. O. Drawer L Hallettsville, Texas 77964		
MITSUBISHI INTERNATIONAL CORP. 625 Cotton Exchange Building Houston, Texas 77002	"BISHICOT"	7-7472
MITSUI & COMPANY (U.S.A.), INC. 611 West Sixth Street Los Angeles, California 90017		
H. MOLSEN & COMPANY P. O. Box 2132 Dallas, Texas 75221	"MOLSEN"	73-334
NISHHO-IWAI AMERICAN CORP. 1219 Cotton Exchange Building Houston, Texas 77002	"NISROCK"	7-7458
FRANK OAKES & COMPANY 48 South Front Street P. O. Box 3241 Memphis, Tennessee 38101	"QUERCUS"	53-3122
NORMAN W. PASCHALL CO., INC. Peachtree City, Georgia 30214	"PASCO"	54-2291
POWERS, COURSEY COTTON CO., INC. 800 West Madison Phoenix, Arizona 85007	"POCO"	66-7388

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REINHART COMPANY P. O. Box 52216 Houston, Texas 77002	"REINHARTUS"	77-5133
CAFFEY ROBERTSON COMPANY 827 Cotton Exchange Building Memphis, Tennessee 38103	"CAFFEY"	
NEIL ROSE P. O. Box 122 Lubbock, Texas 79408		
ROUNTREE COTTON COMPANY, INC. P. O. Box 1390 Las Cruces, New Mexico 88001	"THARP"	
SCHWABACH, KEMPNER, PERUTZ, INC. 1610 Cotton Exchange Building Dallas, Texas 75201	"SCHWABACH"	73-0120
JESS SMITH & SONS P. O. Box 1178 Bakersfield, California 93302	"JESS"	6-82435
STAPLE COTTON COOPERATIVE ASSN. 214 West Market Street Greenwood, Mississippi 39831	"STAPLCOT"	TWX 510- 988-1206
C. STUBBLEFIELD & COMPANY P. O. Box 385 Hillsboro, Texas 76645	"STUBBY"	
SUMITOMO SHOJI, INC. 606 South Olive Street Los Angeles, California 90014	"SUMITOMO"	73-2239
R. S. TAPP & COMPANY P. O. Box 2429 Lubbock, Texas 79408	"TAPCO"	TXW 910- 896-4315
GRADY TARVER & COMPANY, INC. Wills Point, Texas 75401		
A. STARKE TAYLOR & SON, INC. P. O. Box 656 Dallas, Texas 75221	"STARKE"	73-0201
J. R. TINDALL COTTON COMPANY P. O. Box 1117 Lubbock, Texas 79408		
TOYO COTTON COMPANY P. O. Box 898 Dallas, Texas 75221	"TOYOCOT" "TOYOCOTTON"	73-2482 72-2237
GEORGE H. TRAYLOR, JR. P. O. Box 2429 Lubbock, Texas 79408	"TRACOT"	TWX 910- 896-4315
VOLKART BROTHERS, INC. P. O. Box 1149 Pasadena, California 91102	"VOLKART"	675-431

Firm & Address	Cable Address	Telex
JOSEPH WALKER & COMPANY P. O. Box 11359 Columbia, South Carolina 29211		
WEIL BROTHERS-COTTON, INC. P. O. Box 100 Montgomery, Alabama 36101	"WEILBROS"	59-3421
S. Y. WEST & COMPANY P. O. Box 1077 Dallas, Texas 75221	"MOLSEN"	7-3334
WESTATES COTTON COMPANY P. O. Box 595 Lubbock, Texas 79408		
PARKER WHEATLEY & COMPANY 91 South Front Street P. O. Box 1816 Memphis, Tennessee 38101	"WHEATLEY"	53-815
CUBA H. WHITE 418 Cotton Exchange Building Dallas, Texas 75201		
WILLIAMS COTTON COMPANY 56 South Front Street P. O. Box 812 Memphis, Tennessee 38101	"WILJOHN"	

Cotton Cooperatives that Export Cotton

AMCOT
P.O. Box 259
Bakersfield, California 93302

AMCOT is an export sales service formed July 1, 1971, by the merger of the sales forces of four U.S. cooperatives: Calcot, Plains Cotton Cooperative Association, Staple Cotton Cooperative Association, and SWIG (Southwestern Irrigated Cotton Growers Association). AMCOT has offices in Brussels, Osaka, Seoul, Hong Kong, Charlotte, North Carolina, Greenville, South Carolina, and Atlanta, Georgia.

Individual cooperatives and their home offices are listed below:

Cooperative	Cable	Telex
CALCOT, LTD. P.O. Box 259 Bakersfield, California 93302	CALCOT	
GOLD KIST, INC. P.O. Box 2210 Atlanta, Georgia 30301	GOLDKIST	
PLAINS COTTON COOPERATIVE ASSOCIATION P.O. Box 2827 Lubbock, Texas 79408	PLAINS	910-896-4335
STAPLE COTTON COOPERATIVE ASSOCIATION P.O. Box 547 Greenwood, Mississippi 38930	STAPLCOTN	510-988-1206
SWIG P.O. Box 1709 El Paso, Texas 79949	SWIG	749-434

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